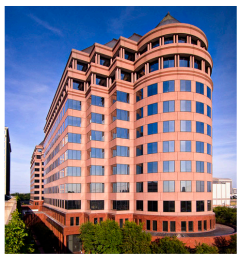
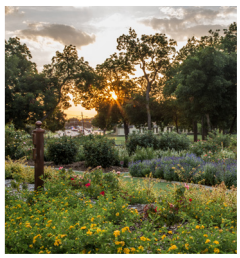
CITY OF FARMERS BRANCH, TEXAS

Comprehensive Annual Financial Report





For the Year Ended September 30, 2016

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City of Farmers Branch, Texas
Comprehensive Annual Financial Report

For the Year Ended September 30, 2016

City Council:

Bob Phelps	Mayor
Ana Reyes	Deputy Mayor Pro Tem, District 1
Harold Froehlich	Mayor Pro Tem, District 2
John Norwood	District 3
Terry Lynne	District 4
Mike Bomgardner	District 5

Farmers Branch City Council 2015-16

First row (from left) City Manager Charles S. Cox, Mayor Bob Phelps, Deputy Mayor Pro Tem Ana Reyes
Second Row (from left) Councilmember John Norwood, Councilmember Mike Bomgardner, Councilmember Terry Lynne, Mayor Pro Tem Harold Froelich

City Manager
Charles S. Cox

Prepared by
Finance Department
Sherrelle Evans-Jones, CPA
Director of Finance

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Comprehensive Annual Financial Report
For the Year Ended September 30, 2016

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Introductory Section

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City of Farmers Branch
13000 William Dodson Parkway
Farmers Branch, Texas 75234

January 16, 2017

Honorable Mayor and City Council
City of Farmers Branch
Farmers Branch, Texas

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Farmers Branch, Texas for the year ended September 30, 2016. The purpose of the report is to provide the Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

THE REPORT

The Texas Local Government Code (§103.001) requires annual audits of municipalities and the City Charter (Sec. 2-18) requires an annual audit of the books of account, financial records, and other evidence of transactions by a certified public accountant within 120 days of the end of the fiscal year. These requirements have been fulfilled and the independent auditors' report is included with this report for the fiscal year ended September 30, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Grant Thornton L.L.P. has issued an unmodified opinion on the City of Farmers Branch financial statements for the year ended September 30, 2016. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Farmers Branch (City) covers approximately 12.1 square miles and is conveniently located on Dallas' northern border. It lies in the heart of an 11-county area that has emerged as a premier commercial, financial, and trading center. Two major interstate highways (IH-35 and IH-635), the Dallas North Tollway and the President George Bush Turnpike, border the City. The Dallas/Fort Worth International Airport and the Dallas Love Field Airport are only minutes from

Farmers Branch. These factors all contribute to the favorable business climate existing within the City.

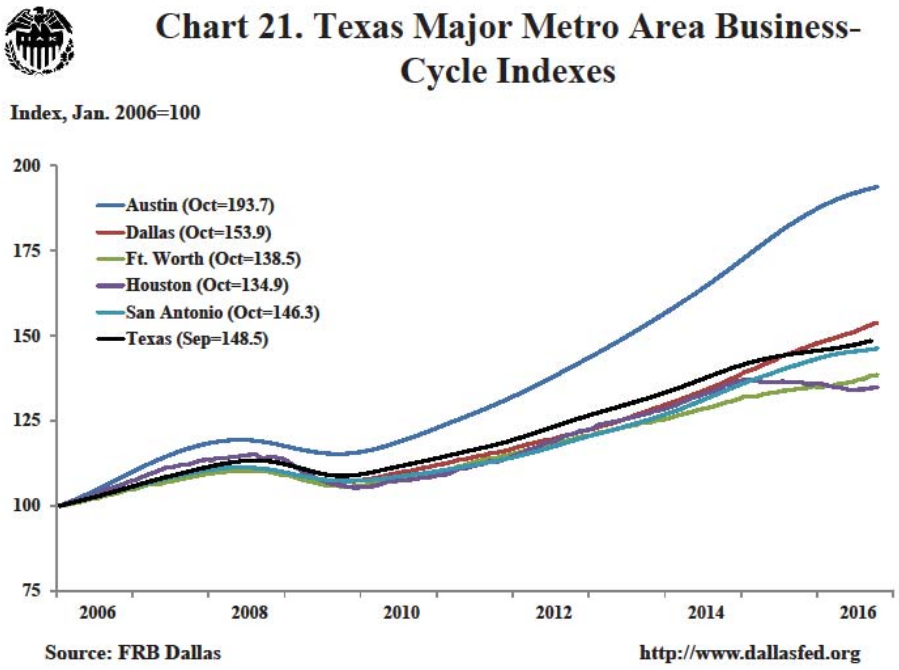
The City of Farmers Branch was incorporated in 1946 under the general laws of the State of Texas. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and five other members, all elected on a non-partisan basis. The term of office is three years, with the terms of two members expiring every year. Term limits allow two terms for at-large members and an additional two terms for an at-large member who becomes Mayor. The City Manager is the chief executive officer for the City.

Although the residential population has recently been estimated at 30,480, Farmers Branch serves a daytime population of 62,756 (per the United States Census Bureau's *American Community Survey – 5 Year Estimates*). The City provides a full range of municipal services including public safety (police and fire protection), streets, water and sanitary sewer utilities, stormwater utility, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative functions. The City of Farmers Branch also is financially accountable for Tax Increment Financing Districts No. 1 and No. 2, and the Farmers Branch Local Government Corporation, which are included as blended component units and the North Texas Emergency Communications Center, Inc. and North Dallas County Water Supply Corporation, which are included as joint ventures. Additional information on these five entities can be found in the notes to the financial statements (See Note 1.A).

The Council enacts the budget through passage of an ordinance prior to the start of each fiscal year. This budget serves as the foundation for the City of Farmers Branch's financial planning and control. Annual budgets are prepared for all governmental funds including the general fund, debt service fund, and special revenue funds. Capital projects funds are budgeted over the life of the project. The City Manager is authorized to transfer resources within each department. Council approval is necessary for all other transfers (See Note 1.D).

LOCAL ECONOMY

According to the Federal Reserve Bank of Dallas' October 2016 Regional Economic Update, "Dallas–Fort Worth economic growth was solid in September. Employment expanded during the month and continued to outperform the state as a whole, and unemployment remained below state and national rates. The DFW multifamily housing market strengthened in the third quarter, and apartment construction stayed elevated. Home sales grew in September despite low inventories. The Dallas Fed business-cycle indexes point toward continued growth for the metroplex."



The City's broadly diversified economic base supports home furnishings, financial, high-tech, insurance, and telecommunications industries, and includes many of the nation's foremost businesses. Slightly more than seventy-nine percent (79.6%) of the City's tax base comes from the business community.

In fiscal year 2016, total general fund revenues of $50.3 million represented an increase of 4.4 percent from the prior year. General fund property tax revenues increased 8.5 percent due primarily to increased commercial property valuations as compared to the prior year. Sales and use taxes increased by 2.1 percent.

The fiscal year 2017 budget estimates that general fund revenues will increase almost $3.1 million due to positive economic trends. The budget emphasizes investment in infrastructure and equipment needed to continually improve basic service to citizens. The fiscal year 2017 budget details water and sewer revenues at $1.7 million greater than fiscal year 2016 due primarily to a nine percent water and sewer rate increase. Water and sewer fund expenses are projected to increase by $1.0 million due primarily to increased water and wastewater treatment costs.

LONG-TERM FINANCIAL PLANNING

Users of this document as well as others interested in the programs and services offered by the City of Farmers Branch are encouraged to read the City's 2016-2017 Fiscal Year Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. The City's budget also includes long-term financial plans for the general fund that forecasts revenues and expenditures over a five-year horizon. The document can be obtained from the City of Farmers Branch finance department by calling (972) 247-3131. The budget can also be accessed through the City's web site at www.farmersbranchtx.gov and selecting the Finance department using the web site's "department quicklink."

RELEVANT FINANCIAL POLICIES

The City's fund balance/operating position concept continues to be an important factor in policy decisions. The concept notes that the City will strive to maintain a general fund unassigned fund balance to be used for unanticipated emergencies with a low end of 15% and a high end of 20% of the actual general fund expenditures plus other financing sources and uses. These monies will be used to avoid cash flow interruptions, generate interest income, reduce the need for short-term borrowing, and assist in maintaining an investment-grade rating.

The City of Farmers Branch invests funds prudently and has adopted an investment policy, which is reviewed annually by the City Council as prescribed by State law. Staff provides a quarterly report of investments for Council review. The City's investment practice is to buy securities and hold them to maturity to avoid potential losses from a sale. During fiscal year 2016, the City complied with all aspects of the investment policy.

MAJOR INITIATIVES

In fiscal year 2016, a major Mercer Crossing planned community development was announced in Farmers Branch. The impact of this estimated $781 million value development will be significant and will require significant planning and review activities during fiscal year 2017.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmers Branch for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2015. This was the twenty-seventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

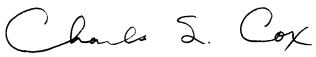
A Certificate of Achievement is valid for a period of one year only. The City believes its current CAFR continues to meet the Certificate of Achievement Program requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2015. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report on a timely basis was made possible by the dedicated service of the entire staff of the finance department and our independent auditors. We would also like to express sincere appreciation to all employees who contributed to its preparation.

In closing, without the leadership and support of the City Council, preparation of this report would not have been possible.

Sincerely,

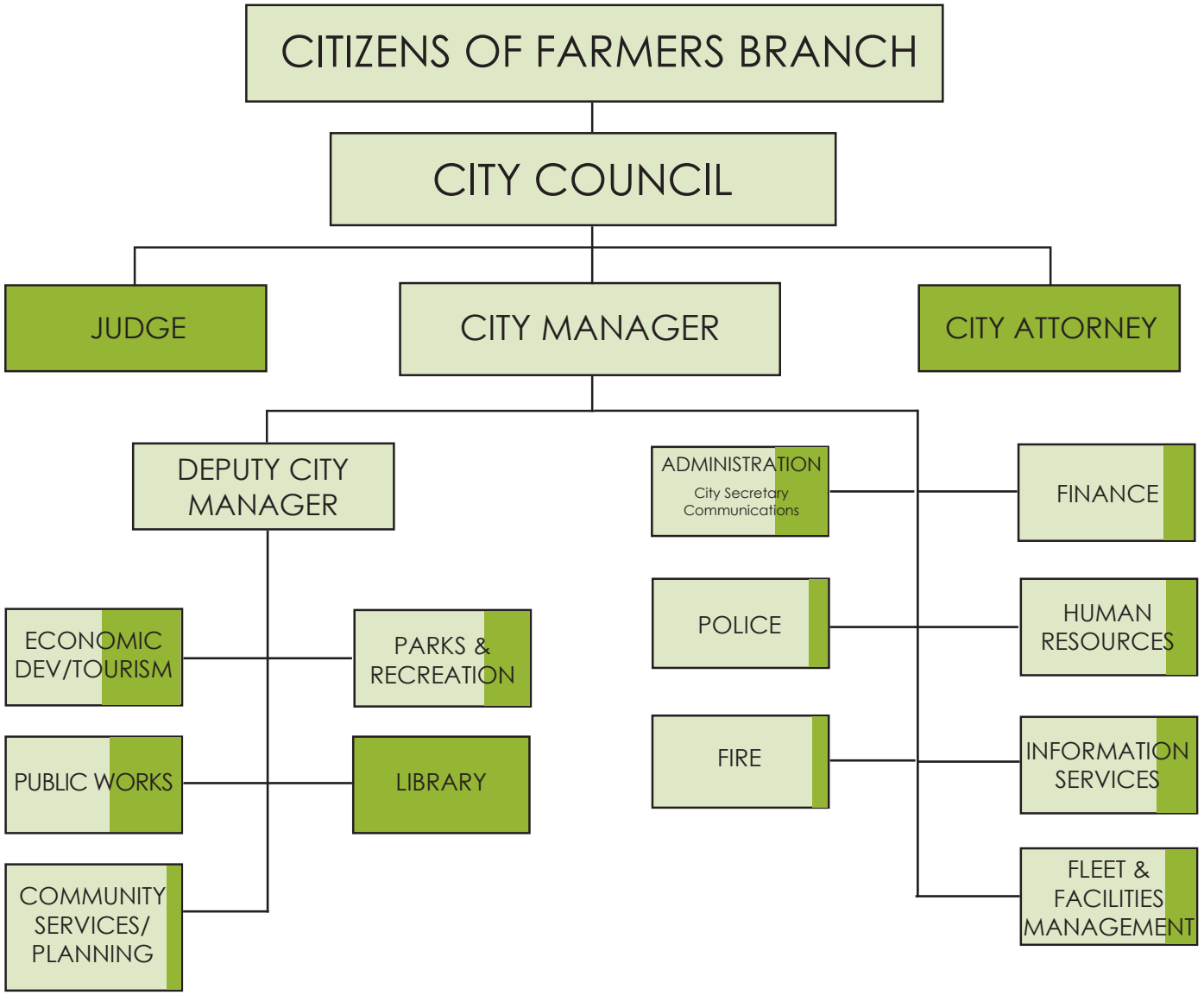


Charles S. Cox
City Manager

Sherrelle Evans-Jones, CPA
Director of Finance

FARMERS BRANCH

CITY OF FARMERS BRANCH
FY 2015-16 ORGANIZATION CHART



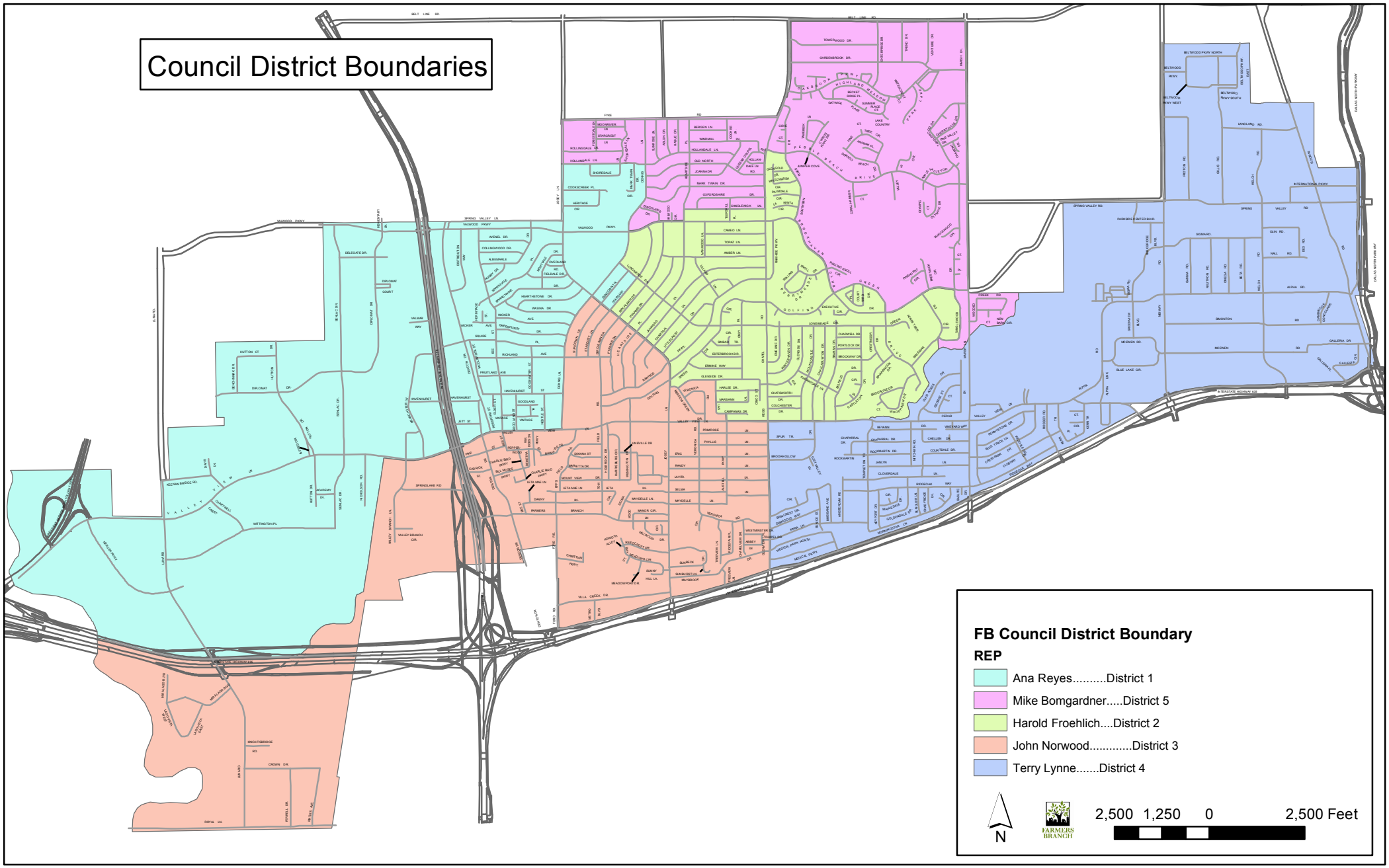
City of Farmers Branch, Texas
List of Principal Officials

City Council

Bob Phelps	Mayor
Ana Reyes	Deputy Mayor Pro Tem, District 1
Harold Froehlich	Mayor Pro Tem, District 2
John Norwood	District 3
Terry Lynne	District 4
Mike Bomgardner	District 5

Appointed Officials

Charles S. Cox	City Manager
John Land	Deputy City Manager
Terry Carnes	City Judge
Amy Piukana	City Secretary
Tom Bryson	Communications Director
Andy Gillies	Community Services Director
Allison Cook	Economic Development & Tourism Director
Kevin Muenchow	Fleet & Facilities Management Director
Sherrelle Evans-Jones	Finance Director
Steve Parker	Fire Chief
Brian Beasley	Human Resources Director
Mark Samuels	Information Services Director
Jeff Harting	Parks & Recreation Director
David Hale	Police Chief
Randy Walhood	Public Works Director


Council District Boundaries
FB Council District Boundary
REP
Ana Reyes.....District 1
Mike Bomgardner.....District 5
Harold Froehlich....District 2
John Norwood.....District 3
Terry Lynne.....District 4
N
FARMERS BRANCH
2,500 1,250 0 2,500 Feet

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Farmers Branch

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

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Financial Section

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Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP
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Dallas, TX 75201-4667

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twitter.com/GrantThorntonUS

The Honorable Mayor, City Council and City Mayor
The City of Farmers Branch, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Farmers Branch, Texas (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmers Branch, Texas as of September 30, 2016, and the respective changes in financial

position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the Required Supplementary Information on pages 48 through 50 (Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, Texas Municipal Retirement System Schedule of Contributions, and Retiree Health Plan Schedule of Funding Progress) be presented to supplement the basic financial statements. Such information, although not required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financials statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The introductory section, statistical section, and continuing financial disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

GRANT THORNTON LLP

Dallas, Texas
January 16, 2017

As management of the City of Farmers Branch (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The City's total combined net position as presented on the Government-wide Statement of Net Position was $125,536,801, which represents an increase of $485,397.
- At the close of the fiscal year ended September 30, 2016, the City's governmental funds reported combined ending fund balances of $35,092,391, a decrease of $1,503,819 in comparison with the prior year. The decrease in total fund balance was primarily due to the use of bond proceeds from debt issued during previous fiscal years for street improvements.
- The unassigned fund balance for the general fund was $8,257,163 or 16 percent of total general fund expenditures plus other financing sources and uses. This represents an increase of $350,104 from the prior fiscal year.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *assigned* and *unassigned* components of *fund balance)* for the general fund was $12,439,956, or approximately 23 percent of total general fund expenditures.
- The City's long-term liabilities increased $11,419,265 during the current fiscal year mainly due to an increase in the net pension liability. The new accounting standards for pensions will reflect more volatility in the amount of the liability from year to year. The pension system reported that their investment portfolio net investment income was affected by unrealized losses in the domestic and international equities asset classes.

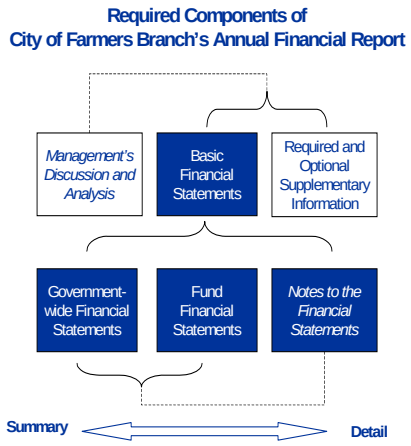
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused compensated absences).



Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water and sewer and stormwater utilities.

The government-wide financial statements can be found in Exhibit A of this report.

Fund Financial Statements - A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains 21 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and street improvement bond fund which are considered to be major funds. Data from the other 19 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibit B of this report.

Proprietary Funds - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sanitary sewer utility and stormwater utility. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its facilities and fleet management, workers' compensation, and health claims funds. Because these services predominantly benefit governmental rather than business-type functions they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer fund and stormwater utility fund are considered major funds of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found in Exhibit C of this report.

Notes to Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found in Exhibit D of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found in Exhibit E of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplementary information on pensions and other post-employment benefits. Combining and individual statements and schedules can be found in Exhibit F through Exhibit H of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position, the amount that assets and deferred outflows of resources exceeded liabilities, was $125,536,801 at the close of the most recent fiscal year.

CONDENSED NET POSITION

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 46,041,510	$ 48,860,268	$ 12,551,124	$ 10,968,927	$ 58,592,634	$ 59,829,195
Capital assets	131,263,676	128,247,117	41,617,554	43,125,493	172,881,230	171,372,610
Total assets	177,305,186	177,107,385	54,168,678	54,094,420	231,473,864	231,201,805
Total deferred outflows of resources	133,399	148,085			133,399	148,085
Noncurrent liabilities	101,205,416	90,466,920	2,104,299	1,423,530	103,309,715	91,890,450
Other liabilities	16,232,966	15,779,694	803,605	1,296,995	17,036,571	17,076,689
Total liabilities	117,438,382	106,246,614	2,907,904	2,720,525	120,346,286	108,967,139
Net position:						
Net investment in capital assets	98,496,787	98,590,058	41,529,619	42,443,950	140,026,406	141,034,008
Restricted	7,152,723	6,147,754			7,152,723	6,147,754
Unrestricted	(32,114,251)	(31,206,669)	10,471,923	9,076,311	(21,642,328)	(22,130,358)
Total net position	$ 73,535,259	$ 73,531,143	$ 52,001,542	$ 51,520,261	$ 125,536,801	$ 125,051,404

The largest portion of the City's combined net position in the amount of $140,026,406 reflects its investments in capital assets (e.g., land, buildings, equipment, intangible assets, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position in the amount of $7,152,723 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of $21,642,328. The City actively manages its net position and has planned for the reduction and/or elimination of its unrestricted deficit net position in the following ways:

1) The City is planning to expand the current landfill and therefore to extend the closure period liability for 40 additional years which will reduce the $10.5 million deficit net position for landfill closure/postclosure.

2) Another major portion of the City's unrestricted deficit net position is due to approximately $9.9 million of accrued interest payable for developer advances. This amount may be reimbursed only from the Tax Increment Financing District No. 1 ("TIF No. 1") to the extent such funds are on deposit in the fund. Current revenue projections for this fund indicate repayment of most of this accrued interest will be unlikely. The TIF No. 1 expires December 31, 2019.

3) Options to reduce and eventually to eliminate the "other post-employment benefits" (OPEB) deficit net position of approximately $1.7 million have been implemented. This includes health insurance coverage options for retirees with no implicit subsidy for the City, capping existing contributions, and terminating the City contribution for employees hired after December 31, 2006.

4) The net pension liability was $34.1 million and the City plans to reduce this liability in the future by making extra contributions as resources are available.

The unrestricted net position of the business-type activities is a positive balance of $10,471,923; however, these resources cannot be used to make up a portion of the deficit in the governmental activities unrestricted net position. The City generally can only use this net position to finance continuing water and sewer operations.

Analysis of the City's Operations – During the current fiscal year, net position for governmental activities increased $4,116 from the prior fiscal year for an ending balance of $73,535,259. The net position of the business-type activities increased $481,281 from the prior fiscal year for an ending balance of $52,001,542. The rates for water and sewer service were increased nine percent at the beginning of the fiscal year to offset anticipated higher production costs. Noncurrent liabilities increased due to the pension liability.

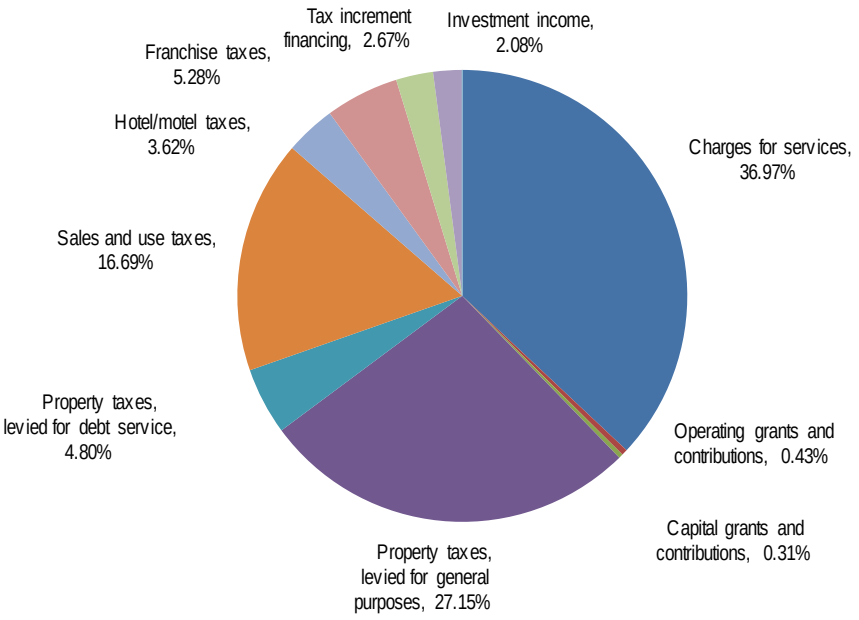
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 10,129,251	$ 10,075,529	$ 20,083,136	$ 17,746,563	$ 30,212,387	$ 27,822,092
Operating grants and contributions	349,473	335,647			349,473	335,647
Capital grants and contributions	253,844	401,271		3,800	253,844	405,071
General revenues:						
Taxes:						
Property taxes, levied for general purposes	22,191,443	20,727,595			22,191,443	20,727,595
Property taxes, levied for debt service	3,926,612	3,903,953			3,926,612	3,903,953
Sales and use taxes	13,639,841	13,363,544			13,639,841	13,363,544
Hotel/motel taxes	2,959,667	2,728,631			2,959,667	2,728,631
Franchise taxes	4,314,745	4,429,370			4,314,745	4,429,370
Tax increment financing	2,183,186	1,350,636			2,183,186	1,350,636
Investment income	1,664,659	1,591,991	34,178	21,560	1,698,837	1,613,551
Miscellaneous		124,938				124,938
Total revenues	61,612,721	59,033,105	20,117,314	17,771,923	81,730,035	76,805,028
Expenses:						
General government	14,578,536	12,623,901			14,578,536	12,623,901
Public safety	25,223,791	22,025,873			25,223,791	22,025,873
Public works	9,262,380	9,414,374			9,262,380	9,414,374
Culture and recreation	14,084,036	12,588,417			14,084,036	12,588,417
Interest on long-term debt	2,359,900	2,344,088			2,359,900	2,344,088
Unallocated depreciation	273,962	126,464			273,962	126,464
Water and sewer			15,187,138	13,095,850	15,187,138	13,095,850
Stormwater utility			274,895	570,356	274,895	570,356
Total expenses	65,782,605	59,123,117	15,462,033	13,666,206	81,244,638	72,789,323
Increase (decrease) in net position before transfers	(4,169,884)	(90,012)	4,655,281	4,105,717	485,397	4,015,705
Transfers	4,174,000	3,469,420	(4,174,000)	(3,469,420)		
Increase (decrease) in net position	4,116	3,379,408	481,281	636,297	485,397	4,015,705
Net position-beginning	73,531,143	85,789,895	51,520,261	51,898,071	125,051,404	137,687,966
Restatement of beginning net position		(15,638,160)		(1,014,107)		(16,652,267)
Net position--beginning, as restated	73,531,143	70,151,735	51,520,261	50,883,964	125,051,404	121,035,699
Net position--ending	$ 73,535,259	$ 73,531,143	$ 52,001,542	$ 51,520,261	$ 125,536,801	$ 125,051,404

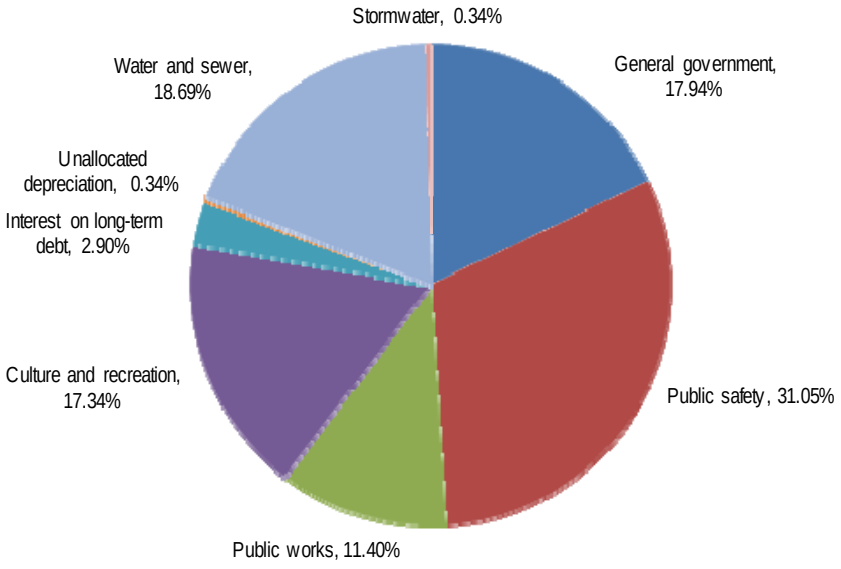
Total revenue of the governmental activities increased almost $2.6 million. The largest part of the increase in governmental revenue ($1.5 million) was from property taxes levied for general purposes due primarily to an increase in property valuations. The increase in governmental expenses included increased pension expense of $2.7 million, an increase of $1.8 for personnel expense including new positions and merit increases, and an increase of $1.0 million for developer incentive reimbursements for public improvements at Mustang Station.

Total revenue of the business-type activities increased by about $2.3 million. Charges for services for water and sewer increased $1.9 million due primarily to a nine percent increase in water and sewer rates. Water and sewer expenses increased about $2.1 million due to increased production costs for purchased water and stormwater sewer services. During the stormwater utility's first full year of operation, charges for services revenue was about $1.3 million and expenses were $.3 million.

Total Sources of Revenue


Tax increment financing, 2.67%
Investment income, 2.08%
Franchise taxes, 5.28%
Hotel/motel taxes, 3.62%
Charges for services, 36.97%
Sales and use taxes, 16.69%
Property taxes, levied for debt service, 4.80%
Operating grants and contributions, 0.43%
Capital grants and contributions, 0.31%
Property taxes, levied for general purposes, 27.15%

Total Expenses by Activity



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $35,092,391. Of this total, $19,182,416 is restricted due to external limitations on its use, such as by debt covenants, legal restrictions, or intention of grantors, donors, or trustees. A total of $1,627,059 is considered nonspendable because it has been used for inventory and prepaid items. A total of $6,025,753 has been assigned meaning there are limitations resulting from its intended use, such as construction of capital assets, payment of debt service, and for other purposes. The remaining $8,257,163 is unassigned and can be used for any lawful purpose.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund is $8,257,163, while total fund balance is $12,888,605. As a measure of the general fund's liquidity, it may be useful to compare the unassigned general fund balance and total general fund balance to total general fund expenditures and other financing sources and uses. Unassigned general fund balance represents 16 percent of total general fund expenditures plus other financing sources and uses, while total fund balance represents 26 percent of that same amount.

The fund balance of the general fund increased $172,427 during the fiscal year. Revenues were $2,103,446 higher than the prior year. Property tax revenue increased $1,756,860 due primarily to higher valuations. Expenditures were $3,383,545 higher than the prior year due to increases for new positions, employee merit costs, increased capital asset purchases and facility improvements, increased funding for trail improvements, and service costs for the consolidated dispatch center. The street improvement bond fund balance decreased $3,628,432 for street resurfacing.

Proprietary Funds - The City's water and sewer fund and stormwater utility fund are the enterprise components of the City's proprietary funds. These fund's financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position of the water and sewer fund was $9,223,359 and for the stormwater utility fund was $915,018. The internal service funds (the other component of proprietary funds) report activities that provide supplies and services for the City's various functions. The City uses internal service funds to account for facilities and fleet management and the City's workers' compensation and health insurance self-insurance programs. Because all of these services primarily benefit governmental rather than business-type activities, they have been included with governmental activities in the government-wide financial statements.

General Fund Budgetary Highlights – During the fiscal year ending September 30, 2016, the City Council adopted amendments to the budget. In the general fund, the final budgeted revenues decreased $1,542,900 compared to the original budgeted revenues. The largest decrease was the budget for sales and use tax revenues which decreased $540,000 due to lower than expected sales tax receipts. The budget for property taxes was decreased by $525,000 due to an increase in court ordered refunds to property owners who filed lawsuits to reduce tax valuations and lower than anticipated adjustments from successful property tax appraisal protests. The fines and forfeitures budget was decreased $435,500 due to lower than anticipated court receipts. The final budgeted expenditures decreased $758,100 compared to the original budgeted expenditures. The public works expenditures budget was decreased about $286,000 to eliminate garbage sack costs and $277,000 for capital asset purchases.

CAPITAL ASSETS

The City's investment in capital assets for its government-wide activities as of September 30, 2016, amounts to $172,881,230 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, infrastructure, intangible assets, and construction in progress.

Major capital asset events during the current fiscal year included the following:

Completed Projects

- Street and utility improvements for $5,915,000
- Radio system upgrade for $2,605,000

Amounts Spent for Ongoing Projects

- Utility replacement for $1,943,000
- Street revitalization for $1,007,000
- Fire training facility for $294,000

Capital Assets at Year-End
Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2016	2015	2016	2015	2016	2015
Land	$ 40,443,167	$ 40,443,167	$ 603,364	$ 603,364	$ 41,046,531	$ 41,046,531
Buildings	40,518,389	41,263,167	4,220,469	4,545,250	44,738,858	45,808,417
Equipment	9,879,279	8,170,635	2,488,216	2,546,493	12,367,495	10,717,128
Improvements	3,434,008	3,489,409	20,150	21,296	3,454,158	3,510,705
Infrastructure	34,850,458	29,393,336	32,318,747	34,053,142	67,169,205	63,446,478
Intangible assets	726,306	338,584	23,642	36,020	749,948	374,604
Construction in progress	1,412,069	5,148,819	1,942,966	1,319,928	3,355,035	6,468,747
Total	$ 131,263,676	$ 128,247,117	$ 41,617,554	$ 43,125,493	$ 172,881,230	$ 171,372,610

Additional information on the City's capital assets can be found in the notes to basic financial statements (see Note 3.D).

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total bonded debt of $40,762,188. Of this amount, $35,684,897 comprises bonded debt backed by the full faith and credit of the government and $5,077,291 comprises debt to be repaid from hotel/motel tax revenues and lease payments from the Dallas Stars and is backed by the full faith and credit of the government. The developer advances of $5,727,028 represent a loan to the City for capital project costs payable only from Tax Increment Financing District No. 1 funds.

Outstanding Debt at Year-End

	Governmental Activities	
	2016	2015
General obligation bonds	$ 35,684,897	$ 35,754,489
Special revenue bonds	5,077,291	5,513,644
Developer advances	5,727,028	6,557,028
Total	$ 46,489,216	$ 47,825,161

The City maintains favorable ratings from bond rating agencies. The ratings are as follows:

	Moody's Investors Service	Date Confirmed	Fitch Ratings	Date Confirmed	Standard & Poor's	Date Confirmed
General obligation bonds						
2009 Combination tax and revenue, taxable	n/a	n/a	n/a	n/a	AA+	April 29, 2016
2010 General obligation refunding and improvement	Aa2	April 8, 2013	n/a	n/a	AA+	April 29, 2016
2012 Certificates of obligation (bank issued)	n/a	n/a	n/a	n/a	n/a	n/a
2013 Certificates of obligation	Aa2	April 8, 2013	n/a	n/a	AA+	April 29, 2016
2014 Certificates of obligation	n/a	n/a	AA+	May 2, 2016	AA+	April 29, 2016
2014 General obligation	n/a	n/a	AA+	May 2, 2016	AA+	April 29, 2016
2016 Certificates of obligation	n/a	n/a	AA+	May 2, 2016	AA+	April 29, 2016
Special revenue bonds						
2011 General obligation refunding bonds, taxable	Aa2	April 8, 2013	n/a	n/a	AA+	April 29, 2016

Additional information on the City's long term-debt can be found in the notes to basic financial statements (see Note 3.G).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2017 budget has been prepared with the objectives of maintaining the financial strength of the City, meeting the needs of citizens, and implementing the priorities of the City Council. The budget emphasizes investment in infrastructure and equipment including continuation of a 10-year street bond program, replacement of Marsh Lane bridge (southbound), expansion of Camelot landfill, Joint Fire Training Facility construction, park and trail improvements, Justice Center security improvements, Farmers Market improvements, increased economic development funding, and implementation of a new employee compensation plan.

Revenues are projected to grow in fiscal year 2017 due to a strong economy. Property and sales tax revenue represent nearly 70 percent of total general fund revenues. The City's single largest source of revenue is property taxes and it represents 44 percent of total general fund budgeted revenue. Property values increased 6.9 percent to almost $4.9 billion. The proposed budget maintained the property tax rate at 60.2267 cents per $100 valuation. A property tax rate at this level continues to position Farmers Branch at one of the lowest rates in Dallas County. Sales tax revenue is the City's second largest source of revenue representing 26 percent of total general fund budgeted revenue. The City is expecting flat sales tax revenue as revenue from existing businesses is expected to rise which will be offset by a retention incentive rebate for the City's largest taxpayer. The total general fund budgeted revenue was increased from the prior year by 6 percent or $3,051,100.

Budgeted general fund expenditures are expected to increase by 6 percent or $2,959,300. This includes increases in budgeted general fund expenditures due to implementation of the recently completed compensation study ($1,000,000), changes related to the recently negotiated landfill agreement ($648,000), employee merit cost increases ($330,000), increases related to outsourced services [trash collection, library, legal] ($310,800), providing additional economic development funding ($300,000), facility improvements ($136,700), increased vehicle maintenance needs ($126,000), and increased funding for crack sealing on resurfaced streets ($105,000).

Budgeted revenue for the water and sewer fund is 9 percent higher than fiscal year 2016. Water and sewer rates were increased by 9 percent. Budgeted expenses for the water and sewer fund are projected to increase 5 percent due to increased purchased water and wastewater treatment costs.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131, or e-mail sherrelle.evans-jones@farmersbranchtx.gov.

STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, cash equivalents, and investments	$ 36,689,526	$ 4,035,411	$ 40,724,937
Receivables (net of allowance for uncollectibles)	6,474,515	2,763,253	9,237,768
Inventories	1,584,757		1,584,757
Deposits	49,000		49,000
Prepaid items	77,978	247,995	325,973
Equity interest in joint venture	1,165,734	5,504,465	6,670,199
Capital assets:			
Nondepreciable	41,855,236	2,546,330	44,401,566
Depreciable, net of accumulated depreciation	89,408,440	39,071,224	128,479,664
Total assets	177,305,186	54,168,678	231,473,864
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pensions subsequent to the measurement date	3,366,383	185,463	3,551,846
Differences between projected and actual investment earnings on pensions	12,200,648	666,334	12,866,982
Differences due to changes in actuarial assumptions on pensions	450,188	24,585	474,773
Deferred charge on refunding	133,399		133,399
Total deferred outflows of resources	16,150,618	876,382	17,027,000
LIABILITIES			
Accounts payable and other accrued liabilities	4,790,701	597,750	5,388,451
Retainage payable	151,463	87,935	239,398
Accrued interest payable	10,208,459		10,208,459
Deposits payable	653,392	451,466	1,104,858
Internal balances	333,546	(333,546)	
Unearned revenue	95,405		95,405
Noncurrent liabilities:			
Due within one year	4,551,312	42,816	4,594,128
Due in more than one year	96,654,104	2,061,483	98,715,587
Total liabilities	117,438,382	2,907,904	120,346,286
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual economic experience on pensions	2,482,163	135,614	2,617,777
NET POSITION			
Net Investment in capital assets	98,496,787	41,529,619	140,026,406
Restricted for:			
Construction of capital assets	3,318,273		3,318,273
Promotion of tourism	2,394,191		2,394,191
Purposes of grantors/trustees	335,645		335,645
Debt service	211,226		211,226
Law enforcement	893,388		893,388
Unrestricted	(32,114,251)	10,471,923	(21,642,328)
Total net position	$ 73,535,259	$ 52,001,542	$ 125,536,801

The accompanying notes are an integral part of the financial statements.

CITY OF FARMERS BRANCH, TEXAS

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 14,578,536	$ 1,627,355	$ 45,996	$
Public safety	25,223,791	4,694,946	80,782	228,774
Public works	9,262,380	2,481,706	205,694	12,000
Culture and recreation	14,084,036	1,325,244	17,001	13,070
Interest on long-term debt	2,359,900			
Unallocated depreciation	273,962			
Total governmental activities	65,782,605	10,129,251	349,473	253,844
Business-type activities:				
Water and sewer	15,187,138	18,785,410		
Stormwater utility	274,895	1,297,726		
Total business-type activities	15,462,033	20,083,136		
Total primary government	$ 81,244,638	$ 30,212,387	$ 349,473	$ 253,844

General revenues:
Taxes:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Sales and use taxes
Hotel/motel taxes
Franchise taxes
Tax increment financing
Investment income
Transfers
Total general revenues and transfers
Change in net position
Net position--beginning
Net position--ending

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (12,905,185)	$	$ (12,905,185)
(20,219,289)		(20,219,289)
(6,562,980)		(6,562,980)
(12,728,721)		(12,728,721)
(2,359,900)		(2,359,900)
(273,962)		(273,962)
(55,050,037)		(55,050,037)
	3,598,272	3,598,272
	1,022,831	1,022,831
	4,621,103	4,621,103
$ (55,050,037)	$ 4,621,103	$ (50,428,934)
22,191,443		22,191,443
3,926,612		3,926,612
13,639,841		13,639,841
2,959,667		2,959,667
4,314,745		4,314,745
2,183,186		2,183,186
1,664,659	34,178	1,698,837
4,174,000	(4,174,000)	
55,054,153	(4,139,822)	50,914,331
4,116	481,281	485,397
73,531,143	51,520,261	125,051,404
$ 73,535,259	$ 52,001,542	$ 125,536,801

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General	Street Improvement Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents, and investments	$ 11,420,760	$ 7,506,052	$ 14,791,436	$ 33,718,248
Receivables (net of allowance for uncollectibles)	5,381,427		929,366	6,310,793
Accrued interest and other	66,347	38,640	44,631	149,618
Inventories	380,000		1,177,597	1,557,597
Prepaid items	68,649		813	69,462
Total assets	$ 17,317,183	$ 7,544,692	$ 16,943,843	$ 41,805,718
LIABILITIES				
Accounts payable	$ 2,977,415	$ 384,615	$ 1,053,145	$ 4,415,175
Retainage payable	10,800	93,555	47,108	151,463
Deposits payable	33,392		620,000	653,392
Unearned revenue - other	90,961		4,444	95,405
Total liabilities	3,112,568	478,170	1,724,697	5,315,435
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	1,316,010		81,882	1,397,892
Total deferred inflows of resources	1,316,010		81,882	1,397,892
FUND BALANCES				
Nonspendable:				
Inventory	380,000		1,177,597	1,557,597
Prepaid items	68,649		813	69,462
Restricted:				
Construction of capital assets		7,066,522	3,830,082	10,896,604
Landfill closure/postclosure			4,452,302	4,452,302
Dangerous structures abatement			6,035	6,035
Promotion of tourism			2,387,216	2,387,216
Purpose of grantors, trustees and donors			335,645	335,645
Debt service			211,226	211,226
Law enforcement			893,388	893,388
Assigned:				
Construction of capital assets			1,128,095	1,128,095
Other capital assets	687,836			687,836
Debt service			714,865	714,865
Economic development	2,715,318			2,715,318
Other purposes	779,639			779,639
Unassigned	8,257,163			8,257,163
Total fund balances	12,888,605	7,066,522	15,137,264	35,092,391
Total liabilities, deferred inflows of resources, and fund balances	$ 17,317,183	$ 7,544,692	$ 16,943,843	$ 41,805,718

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Amounts reported for governmental activities in the statement of net position (page 11) are different because:

Total fund balances - governmental funds (page 14)		$ 35,092,391
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (net of internal service fund capital assets of $387,907).		130,875,769
Equity investment in joint venture is not a current financial resource. Therefore, it is not reported in the governmental funds.		1,165,734
Deferred outflows of resources are not reported in the governmental funds:		
Contributions to pensions subsequent to the measurement date (net of internal service fund of $93,799)	$ 3,272,584	
Differences between projected and actual investment earnings on pensions (net of internal service fund of $333,820)	11,866,828	
Differences due to changes in actuarial assumptions on pensions (net of internal service fund of $12,133)	438,055	
Deferred charge on debt refunding	133,399	15,710,866
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		1,397,892
Internal service funds are used by management to charge the cost of certain activities, such as fleet management and workers' compensation and medical self-insurance programs, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position (less amount allocated to business-type activities of $333,546).		1,290,543
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(109,590,037)
Deferred inflows of resources are not reported in the governmental funds:		
Differences between expected and actual economic experience on pensions (net of internal service fund of $74,264)		(2,407,899)
Net position of governmental activities		$ 73,535,259

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	General	Street Improvement Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	$ 22,385,695	$	$ 3,944,703	$ 26,330,398
Sales and use taxes	13,639,841			13,639,841
Hotel/motel taxes			2,959,667	2,959,667
Franchise taxes	4,235,295		74,303	4,309,598
Tax increment financing			2,236,280	2,236,280
Licenses and permits	1,427,801			1,427,801
Charges for services	5,407,761			5,407,761
Fines and forfeitures	2,255,213		869,881	3,125,094
Special assessments			1,152	1,152
Investment income	733,970	113,856	803,819	1,651,645
Intergovernmental	150,000		353,153	503,153
Developer's contributions			12,000	12,000
Miscellaneous	66,178		116,178	182,356
Total revenues	50,301,754	113,856	11,371,136	61,786,746
EXPENDITURES				
Current:				
General government	13,259,030		188,105	13,447,135
Public safety	23,309,501		1,044,121	24,353,622
Public works	6,898,308		480,473	7,378,781
Culture and recreation	11,013,500		1,910,043	12,923,543
Debt service:				
Principal retirement			3,930,000	3,930,000
Interest and fiscal agent charges			1,437,739	1,437,739
Issuance costs			96,628	96,628
Capital outlay		3,742,288	3,527,150	7,269,438
Total expenditures	54,480,339	3,742,288	12,614,259	70,836,886
Deficiency of revenues over (under) expenditures	(4,178,585)	(3,628,432)	(1,243,123)	(9,050,140)
OTHER FINANCING SOURCES (USES)				
Transfers in	5,748,574		2,112,014	7,860,588
Transfers out	(1,485,000)		(1,610,788)	(3,095,788)
Certificates of obligation issued			2,545,000	2,545,000
Premium on debt issued			149,083	149,083
Sale of general capital assets	82,726			82,726
Insurance recoveries	4,712			4,712
Total other financing sources	4,351,012		3,195,309	7,546,321
Net change in fund balances	172,427	(3,628,432)	1,952,186	(1,503,819)
Fund balances--beginning	12,716,178	10,694,954	13,185,078	36,596,210
Fund balances--ending	$ 12,888,605	$ 7,066,522	$ 15,137,264	$ 35,092,391

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Amounts reported for governmental activities in the statement of activities (page 12) are different because:		
Net change in fund balances - total governmental funds (page 16)	$	(1,503,819)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		2,968,270
The net effect of the various miscellaneous transactions involving capital assets (i.e., sales, transfers and donations) is to increase net position.		349,610
The change in equity interest in joint venture decreases net position.		(331,847)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(217,967)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,235,917
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(1,839,215)
Internal service funds are used by management to charge the costs of fleet management, workers' compensation, and health claims, to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		(656,833)
Change in net position of governmental activities	$	4,116

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget
REVENUES						
Property taxes	$ 22,925,000	$ 22,400,000	$ 22,385,695	$	$ 22,385,695	$ (14,305)
Sales and use tax	14,185,000	13,645,000	13,639,841		13,639,841	(5,159)
Franchise taxes	4,651,000	4,336,000	4,235,295		4,235,295	(100,705)
Licenses and permits	1,459,000	1,243,200	1,427,801		1,427,801	184,601
Charges for services	5,338,700	5,541,800	5,407,761		5,407,761	(134,039)
Fines and forfeitures	2,717,000	2,281,500	2,255,213		2,255,213	(26,287)
Investment income	635,700	748,000	733,970		733,970	(14,030)
Intergovernmental		150,000	150,000		150,000	
Miscellaneous	254,000	277,000	66,178		66,178	(210,822)
Total revenues	52,165,400	50,622,500	50,301,754		50,301,754	(320,746)
EXPENDITURES						
General government	13,880,600	13,818,500	13,259,030	(119,764)	13,139,266	679,234
Public safety	23,240,100	23,282,700	23,309,501	(10,418)	23,299,083	(16,383)
Public works	7,656,900	6,956,600	6,898,308	(118,012)	6,780,296	176,304
Culture and recreation	11,171,600	11,133,300	11,013,500	(6,787)	11,006,713	126,587
Total expenditures	55,949,200	55,191,100	54,480,339	(254,981)	54,225,358	965,742
Deficiency of revenues under expenditures	(3,783,800)	(4,568,600)	(4,178,585)	254,981	(3,923,604)	644,996
OTHER FINANCING SOURCES (USES)						
Transfers in	4,997,300	5,716,600	5,748,574		5,748,574	31,974
Transfers out	(1,485,000)	(1,485,000)	(1,485,000)		(1,485,000)	
Sale of general capital assets	150,000	150,000	82,726		82,726	(67,274)
Insurance recoveries	21,500	6,800	4,712		4,712	(2,088)
Total other financing sources	3,683,800	4,388,400	4,351,012		4,351,012	(37,388)
Net change in fund balances	(100,000)	(180,200)	172,427	254,981	427,408	607,608
Fund balances--beginning	11,283,062	11,283,062	12,716,178	(1,433,116)	11,283,062	
Fund balances--ending	$ 11,183,062	$ 11,102,862	$ 12,888,605	$ (1,178,135)	$ 11,710,470	$ 607,608

Explanation of differences:

Beginning of year adjustment for encumbrances recognized as expenditures	$ 1,433,116
End of year adjustment for encumbrances not recognized as expenditures	(1,178,135)
Net decrease in fund balance - GAAP to budget	$ 254,981

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-type Activities			Governmental Activities
	Water and Sewer	Stormwater Utility	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash, cash equivalents, and investments	$ 3,207,788	$ 827,623	$ 4,035,411	$ 2,971,278
Receivables (net of allowance for uncollectibles)	2,650,382	101,272	2,751,654	14,104
Accrued interest and other	9,760	1,839	11,599	
Inventories				27,160
Prepaid items	247,995		247,995	8,516
Deposits				49,000
Total current assets	6,115,925	930,734	7,046,659	3,070,058
Noncurrent assets:				
Equity interest in joint venture	5,504,465		5,504,465	
Capital assets:				
Nondepreciable	2,546,330		2,546,330	8,170
Depreciable, net of accumulated depreciation	38,886,163	185,061	39,071,224	379,737
Total noncurrent assets	46,936,958	185,061	47,122,019	387,907
Total assets	53,052,883	1,115,795	54,168,678	3,457,965
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pensions subsequent to the measurement date	185,463		185,463	93,799
Differences between projected and actual investment earnings on pensions	666,334		666,334	333,820
Differences due to changes in actuarial assumptions on pensions	24,585		24,585	12,133
Total defered outflows of resources	876,382		876,382	439,752
LIABILITIES				
Current liabilities:				
Accounts payable and other accrued liabilities	582,034	15,716	597,750	375,526
Compensated absences	42,816		42,816	27,378
Claims payable				530,280
Retainage payable	87,935		87,935	
Deposits payable	451,466		451,466	
Total current liabilities	1,164,251	15,716	1,179,967	933,184
Noncurrent liabilities:				
Compensated absences	196,169		196,169	82,420
Claims payable				186,560
Net pension liability	1,745,594		1,745,594	959,869
Other post employment benefits obligation	119,720		119,720	37,331
Total noncurrent liabilities	2,061,483		2,061,483	1,266,180
Total liabilities	3,225,734	15,716	3,241,450	2,199,364
DEFERRED INFLOWS OF RESOURCES				
Differences between expected and actual economic experience on pensions	135,614		135,614	74,264
NET POSITION				
Net investment in capital assets	41,344,558	185,061	41,529,619	387,907
Unrestricted	9,223,359	915,018	10,138,377	1,236,182
Total net position	$ 50,567,917	$ 1,100,079	$ 51,667,996	$ 1,624,089
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time			333,546	
Net position of business-type activities			$ 52,001,542	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities			Governmental Activities
	Water and Sewer	Stormwater Utility	Total	Internal Service Funds
Operating revenues				
Charges for services	$ 18,487,283	$ 1,297,726	$ 19,785,009	$ 4,600,712
Contributions and miscellaneous	298,127		298,127	4,256,875
Total operating revenues	18,785,410	1,297,726	20,083,136	8,857,587
Operating expenses				
Personal services	2,083,890		2,083,890	936,102
Materials and supplies	237,884		237,884	1,427,151
Maintenance and utilities	1,792,642	227,646	2,020,288	1,911,498
Purchase of water	5,414,578		5,414,578	
Sewage treatment	3,125,687		3,125,687	
Insurance claims and expenses				4,030,012
Depreciation	2,504,543	47,249	2,551,792	35,469
Total operating expenses	15,159,224	274,895	15,434,119	8,340,232
Operating income	3,626,186	1,022,831	4,649,017	517,355
Nonoperating revenues (expenses)				
Investment income	28,760	5,418	34,178	
Loss of the joint venture	(70,010)		(70,010)	
Total nonoperating revenues	(41,250)	5,418	(35,832)	
Income before transfers	3,584,936	1,028,249	4,613,185	517,355
Transfers out	(4,099,200)	(74,800)	(4,174,000)	(1,132,092)
Change in net position	(514,264)	953,449	439,185	(614,737)
Net position--beginning	51,082,181	146,630	51,228,811	2,238,826
Net position--ending	$ 50,567,917	$ 1,100,079	$ 51,667,996	$ 1,624,089

Reconciliation to government-wide statement of net position:	
Change in net position	$ 439,185
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds	42,096
Change in net position of business-type activities	$ 481,281

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities			Governmental Activities
	Water and Sewer	Stormwater Utility	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 19,201,503	$ 1,296,973	$ 20,498,476	$
Receipts from interfund services provided				8,849,823
Payments to suppliers	(10,757,610)	(212,895)	(10,970,505)	(3,208,396)
Payments to employees	(1,946,443)		(1,946,443)	(932,825)
Payments for loss claims				(3,922,807)
Payments for interfund services	(385,587)		(385,587)	
Net cash provided by operating activities	6,111,863	1,084,078	7,195,941	785,795
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund loan repayment received	186,000		186,000	
Interfund loan repaid		(186,000)	(186,000)	
Transfers to other funds	(4,099,200)	(74,800)	(4,174,000)	(1,132,092)
Net cash used for noncapital financing activities	(3,913,200)	(260,800)	(4,174,000)	(1,132,092)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(1,043,853)		(1,043,853)	
Proceeds from sale of capital assets				265,852
Net cash provided by (used for) capital and related financing activities	(1,043,853)		(1,043,853)	265,852
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(1,125,749)	(862,864)	(1,988,613)	
Investment income	27,886	4,262	32,148	
Net cash used for investing activities	(1,097,863)	(858,602)	(1,956,465)	
Net increase (decrease) in cash and cash equivalents	56,947	(35,324)	21,623	(80,445)
Cash and cash equivalents - beginning of year	(193,889)	(8)	(193,897)	3,051,723
Cash and cash equivalents - end of year	$ (136,942)	$ (35,332)	$ (172,274)	$ 2,971,278
Cash and cash equivalents - end of year	$ (136,942)	$ (35,332)	$ (172,274)	$ 2,971,278
Investments	3,344,730	862,955	4,207,685	
Cash, cash equivalents, and investments - end of year	$ 3,207,788	$ 827,623	$ 4,035,411	$ 2,971,278
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Loss of the joint venture	(70,010)		(70,010)	

The accompanying notes are an integral part of the financial statements.

(continued)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities			Governmental Activities
	Water and Sewer	Stormwater Utility	Total	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 3,626,186	$ 1,022,831	$ 4,649,017	$ 517,355
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,504,543	47,249	2,551,792	35,469
Change in assets and liabilities:				
(Increase) decrease in receivables	311,797	(753)	311,044	(10,764)
Decrease in inventory of materials and supplies				33,266
Decrease in deposits				3,000
Decrease in prepaid items	49,015		49,015	9,830
Decrease in deferred inflows	(19,880)		(19,880)	(9,811)
Increase (decrease) in accounts payable	(595,397)	15,716	(579,681)	
Increase in accrued liabilities				149,649
Increase (decrease) in retainage payable	25,056	(965)	24,091	
Increase in claims payable				46,226
Increase in deposits payable	104,296		104,296	
Increase in pension liability	673,912		673,912	332,577
Increase in OPEB liability	15,787		15,787	6,647
Decrease in accrued compensated absences	(8,930)		(8,930)	(36,153)
Increase in deferred outflows of resources	(574,522)		(574,522)	(291,496)
Net cash provided by operating activities	$ 6,111,863	$ 1,084,078	$ 7,195,941	$ 785,795

The accompanying notes are an integral part of the financial statements. (concluded)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Farmers Branch, Texas (the "City") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and a five-member council. The City was incorporated in 1946 under the Constitution of the State of Texas (Home Rule Amendment). As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. A component unit is included in the City's reporting entity if it is both fiscally dependent on the City (the primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Because of the closeness of their relationship with the primary government (the City), some component units are blended as though they are part of the primary government. The City's blended component units and joint venture, which all have a September 30 year-end, are as follows:

Blended Component Units

The Tax Increment Finance District Number One ("TIF No. 1 District") and Tax Increment Finance District Number Two ("TIF No. 2 District") were created pursuant to the Texas Tax Increment Financing Act, Tax Code Chapter 311, as amended. The purpose of the TIF District No. 1 is to promote development in the Mercer Crossing area. The purpose of the TIF District No. 2 is to promote development in the Old Farmers Branch area. The Districts are reported as capital projects funds and are included as blended component units because they provide a financing mechanism for the City to build streets and other infrastructure.

The Farmers Branch Local Government Corporation ("FBLGC") was organized for the purpose of aiding, assisting, and acting on behalf of the City in the exercise of its powers to accomplish any governmental purpose of the City and in the promotion of the common good and general welfare of the City including, without limitation, the furtherance of the promotion, development, encouragement, and maintenance of employment, commerce, economic development and public facility development in the City, and currently to develop oil, natural gas and other mineral interests on behalf of the City. The board members of the FBLGC are appointed by the City Council. The FBLGC is authorized to issue bonds, notes or other obligations after approval by the City Council. The FBLGC has been included as a blended component unit because it is fiscally dependent (the City must approve any issuance of debt) and the purpose of the corporation is to provide a benefit to the City.

Joint Ventures

The North Texas Emergency Communications Center, Inc. (NTECC) is a joint venture between the Town of Addison, City of Carrollton, City of Coppell, and City of Farmers Branch (the "Cities") formed to establish and operate a joint public safety dispatch center. The affairs of the NTECC are managed by a four-person board of directors representing each of the four participating Cities.

The Cities are responsible for funding capital and operating costs of the NTECC in the proportions stated in the inter-local agreement. The City financed its portion of construction funds through the issuance and sale of certificates of obligation. The City of Farmers Branch's equity interest in the NTECC is $1,165,734 at September 30, 2016 and is reported as equity interest in joint venture in the governmental activities on the government-wide Statement of Net Position. Audited financial statements for the NTECC can be obtained from the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131, or e-mail sherrelle.evans-jones@farmersbranchtx.gov.

Additionally, the Cities have also entered into an inter-local agreement to jointly procure a public safety radio system. While this agreement did not include the formation of a separate legal joint venture entity, it is possible that this system may be consolidated into the NTECC in the future. The City has financed its portion of construction funds through the issuance and sale of general obligation bonds. The Cities are responsible for funding a portion of the radio system in the proportions stated in the inter-local agreement. The City of Farmers Branch's portion of the system costs at September 30, 2016 of $2,297,250 is capitalized as equipment in the governmental activities on the government-wide Statement of Net Position.

The North Dallas County Water Supply Corporation ("NDCWSC") is a joint venture between the City and the Town of Addison (the "Town") to design, construct, operate, and maintain a joint sanitary sewer interceptor and conventional sewer lines. The NDCWSC, a public instrumentality and nonprofit water supply corporation, was created for that purpose. Upon dissolution of the NDCWSC, the City and Town will share the net position in the proportions stated in an inter-local agreement. The affairs of the NDCWSC are managed by a six-person board of directors appointed by the governing bodies of the City and the Town.

The City and the Town are each obligated to fund construction of the sanitary sewer interceptor in the proportions stated in the inter-local agreement. The City has financed its portion of construction funds through the issuance and sale of assessment revenue bonds and a transfer from previously issued sewer bonds. The City's net investment and its share of the operating results of the NDCWSC are reported in the City's water and sewer fund. The City's equity interest in the NDCWSC was $5,504,465 at September 30, 2016. Complete financial statements for the NDCWSC can be obtained from the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131, or e-mail sherrelle.evans-jones@farmersbranchtx.gov.

B. Basis of Presentation

While separate government-wide financial statements (based on the City as a whole) and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

The fund financial statements provide information about the City's funds, including its blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The *street improvement bond fund* is used to provide funds for permanent public improvements, to-wit: engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the City, including streetscape improvements, public utility improvements, storm drainage facilities, and the acquisition of land therefor.

The City reports the following major proprietary funds:

The *water and sewer fund* is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The *stormwater utility fund* is used to account for the City's drainage management program.

The City reports the following internal service funds:

The *internal service funds* are used to account for facilities and fleet management services and the City's workers' compensation and medical self-insurance programs for the departments of the City on a cost reimbursement basis.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. The issuance of long-term debt is reported as an other financing source.

Property, franchise, sales and hotel occupancy taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when the government receives cash.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

D. Budgetary Information

1) Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, special revenue funds, and debt service fund. The capital projects funds are appropriated on a project-length basis and often span a period of more than one year.

The appropriated budget is prepared by fund, department, and function. The City Manager may transfer unencumbered appropriations within a department. City Council approval is necessary for transfers of unencumbered appropriations between departments and funds. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Special revenue funds are budgeted at the function level. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.

2) Excess of Expenditures over Appropriations

For the year ended September 30, 2016, expenditures in the general fund's public safety fire division and culture and recreation library division exceeded appropriations by $107,780 and $33,422, respectively. The fire division excess was for planned purchases of capital assets from fund balance and was approved by City Council. The library division excess was primarily due to an allocation from the fleet and facilities internal service fund.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1) Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2) Investments

Investments are recorded at fair value (based on quoted market prices), except for investments with maturity of one year or less from date of purchase, which are stated at amortized cost, and except for the position in TexPool. In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

3) Receivables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts.

4) Inventories and Prepaid Items

Inventories are stated at the lower of average cost or market for the internal service funds and for the inventory of land held for resale in the general fund and special revenue funds. All other inventories in the special revenue funds are stated at average cost. Inventories are recorded as assets when purchased and charged to operations when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5) Capital Assets

Capital assets include land, buildings, equipment, improvements, infrastructure (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (e.g., software, websites). Capital assets purchased, acquired or developed, are carried at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The City defines capital assets as having a useful life longer than one year and an initial, individual cost which exceeds the capitalization threshold for their class. The capitalization threshold for the infrastructure class is $100,000. The capitalization threshold for all other asset classes is $5,000. Other costs incurred for repairs and maintenance are expensed. Insurance recoveries of $4,712 were received for the year ended September 30, 2016. They are included as an “other financing source” in the governmental funds.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated on the straight-line basis over the following estimated useful lives:

Capital asset classes	Lives
Buildings	30 - 50 years
Equipment	5 - 30 years
Improvements	20 years
Intangible assets-software/websites	5 years
Infrastructure	15 - 62.5 years

6) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category. The first three deferred outflows of resources are reported in the government-wide and proprietary funds statements of net position. The first item is the deferred outflow of resources – contributions to pensions paid after the measurement date. For purposes of measuring the net pension liability, deferred outflows of resources related to pensions have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. The second item is the deferred outflow of resources due to differences between projected and actual investment earnings on pensions. Investment gains and losses are recognized in pension expense over a period of five years. The third item, differences due to changes in actuarial assumptions on pensions, is recognized over the average remaining service life for all members. The final item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources due to a difference between expected and actual economic experience on pensions which are recognized over the average remaining service life for all members. This is reported in the government-wide and proprietary funds statements of net position.

Finally, the City has one item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report unavailable revenues from the following sources:

	General Fund	Nonmajor Governmental Funds	Total
Property taxes	$388,151	$60,612	$448,763
Ambulance	185,384		185,384
Franchise taxes - electric	663,264		663,264
Charges for services - culture and recreation	79,211		79,211
Special assessments		8,774	8,774
Tax increment financing		12,496	12,496
Total	$1,316,010	$81,882	$1,397,892

7) Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

The net investment in capital assets for the business-type activities is reported net of related debt in the amount of $87,935, which represents account and retainage payables for capital asset activity.

The governmental activities unrestricted net position is a deficit of $32,114,251 at September 30, 2016. Please refer to page 5 of the MD&A for the City's plan to reduce this deficit.

8) Fund Balance Policies and Flow Assumptions

Governmental fund's fund balances classified as restricted are balances constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are considered equally restrictive for the purpose of committing fund balance. The City Council must take the same level of action to remove or change the constraint. Assigned fund balances are constrained by intent to use for a specific purpose but are neither restricted nor committed. Assignments are made by City management based on Council direction.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

In the general fund, the City strives to maintain a target range of unassigned fund balance to be used for unanticipated emergencies with a low end of 15% and a high end of 20% of the actual GAAP basis expenditures and other financing sources and uses.

F. Revenues and Expenditures/Expenses

1) Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

2) Property Taxes

The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

3) Compensated Absences

The City's employees earn vacation leave (up to a maximum of 192 hours per year) based on days employed. Upon retirement or termination, payment of accumulated vacation may not exceed that which can be accumulated within two years for employees hired prior to January 1, 2011 and within one and a half years for employees hired on or after January 1, 2011. Unused sick leave, based on days employed, may be accumulated up to certain limits. Upon retirement or termination, employees hired before October 1, 1992 will be paid a maximum of 720 hours of sick pay for 40 hours per week employees or 1,080 hours for 56 hours per week employees. Upon retirement or termination, employees hired between October 1, 1992 and December 31, 2010 with five years or less of service will be paid a maximum of 120 hours of sick pay and with more than five years of service will be paid a maximum of 240 hours of sick pay. Employees hired on or after January 1, 2011 receive no payout for unused sick leave upon retirement or termination.

4) Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and the government's internal service funds are charges to customers for sales and services. Operating expenses for water and sewer funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of the $130,875,769 are as follows:

Land and rights of way	$ 40,434,997
Construction in progress	1,412,069
Improvements	10,643,845
Less: Accumulated depreciation-improvements	(7,209,837)
Buildings	55,616,949
Less: Accumulated depreciation-buildings	(15,099,570)
Equipment	27,124,263
Less: Accumulated depreciation-equipment	(17,387,533)
Infrastructure	105,575,749
Less: Accumulated depreciation-infrastructure	(70,725,291)
Intangible assets	1,724,645
Less: Accumulated depreciation-intangible assets	(1,234,517)
Net adjustment to increase *fund balance - total government funds* to arrive at *net position - governmental activities*	$ 130,875,769

Another element of that reconciliation explains that "internal service funds are used by management to charge the costs of certain activities, such as fleet management and workers' compensation and medical self-insurance programs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position." The details of this $1,290,543 difference are as follows:

Net position of the internal service funds	$ 1,624,089
Less: Internal receivable representing charges below cost to business-type activities - current year	(333,546)
Net adjustment to increase *fund balance - total government funds* to arrive at *net position - governmental activities*	$ 1,290,543

The final element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $109,590,037 difference are as follows:

Bonds payable	$ 39,165,000
Add: Issuance premium (to be amortized over life of debt)	1,597,188
Developer advances	5,727,028
Accrued interest payable	10,208,459
Compensated absences	5,001,896
Net pension liability	31,360,992
Net other postemployment benefits obligation	1,563,518
Landfill liability	14,965,956
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ 109,590,037

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period." The details of this $2,968,270 difference are as follows:

Capital outlay	$ 8,804,681
Depreciation expense	(5,836,411)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 2,968,270

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, and donations) is to increase net position." The details of this $349,610 difference are as follows:

In the governmental funds, the proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	$ 349,610

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this $1,235,917 difference are as follows:

Certificates of obligation issued	$ (2,545,000)
Plus premium	(149,083)
Principal repayments:	
General obligation debt	2,665,000
Special revenue debt	435,000
Developer advances	830,000
Net adjustment to increase *total governmental funds* to arrive at *changes in net position of governmental activities*	$ 1,235,917

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $1,839,215 difference are as follows:

Compensated absences	$	(153,840)
Net pension liability		12,007,601
Difference in pension contributions		71,985
Differences between projected and actual investment earnings on pensions		(9,991,174)
Differences due to changes in actuarial assumptions on pensions		(438,055)
Differences between expected and actual economic experience on pensions		(354,218)
Net other post employment benefits obligation		192,766
Accrued interest on long-term debt		910,875
Amortization of bond premiums		(100,028)
Amortization of deferred charge on refunding		14,686
Landfill liability		(321,383)
Net adjustment to decrease *total governmental funds* to arrive at *changes in net position of governmental activities*	$	1,839,215

Another element of that reconciliation states that "internal service funds are used by management to charge the costs of fleet management, workers' compensation, and health claims, to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities." The details of this $656,833 difference are as follows:

Change in net position of the internal service funds	$	614,737
Plus: charges to business-type activities		42,096
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	656,833

C. Explanation of Certain Differences Between the Proprietary Fund Statement of Net Position and the Government-Wide Statement of Net Position

The proprietary fund statement of net position includes reconciliation between *net position – total enterprise funds* and *net position of business-type activities* as reported in the government-wide statement of net position. The description of the only item of that reconciliation is "adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time." The details of the $333,546 difference are as follows:

Internal payable representing charges below cost to business-type activities - prior years	$	291,450
Internal payable representing charges over cost to business-type activities - current year		42,096
Net adjustment to increase *net position - total enterprise funds* to arrive at *changes in net position of business-type activities*	$	333,546

3. DETAILED NOTES ON ALL FUNDS

A. Cash Deposits with Financial Institutions

At year-end, the carrying amount of the City's deposits was ($1,494,131) and the bank balance was $108,418. The bank balance was completely covered by federal depository insurance or by collateral held by the City's agent in the City's name. At year-end, the carrying amount of the Farmers Branch Local Government Corporation, blended component unit's bank balance was $40,683. The bank balance was completely covered by federal depository insurance.

B. Investments

The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds. TexPool uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

To maximize investment opportunities, all funds (excluding the debt service fund and the internal service funds) participate in a pooling of cash and investment income. Each fund may liquidate its equity in the pool on demand.

State statutes, City bond ordinances, and City resolutions authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of Texas and its agencies and instrumentalities, obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating, insured or collateralized certificates of deposit, fully collateralized repurchase agreements, and government pools.

The City categorizes is fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City's investments by fair value level are classified in Level 2 of the fair value hierarchy which are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no Level 1 investments which are valued using prices quoted in active markets for identical securities or Level 3 investments which are valued using significant unobservable inputs. As of September 30, 2016, the City had the following investments:

Investments by fair value level	September 30, 2016		Fair Value - Level 2	Weighted Average Maturity (in days)
Municipal Obligations	$ 14,646,214		$ 14,646,214	648
Federal Farm Credit Bank Notes	3,863,799		3,863,799	42
Federal National Mortgage Association	3,002,674		3,002,674	23
Federal Agricultural Mortgage Corporation	3,502,307		3,502,307	28
Federal Home Mortgage Corporation	2,000,320		2,000,320	36
Federal Home Loan Bank Notes	3,508,822		3,508,822	183
Total investments by fair value level	30,524,136		30,524,136	
Investments measured at NAV/amortized cost				
Certificates of Deposit Account Registry (CDARS)	7,250,000			596
TexPool	4,404,249			43
Total investments at NAV/amortized cost	11,654,249			
Total investments at carrying amount	$ 42,178,385	(1)		
Portfolio Weighted Average Maturity				449

(1) This amount includes investments in local government investment pools and CDARS, which are measured at NAV and amortized cost, respectively.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to eighteen months (548 days).

Credit Risk. The City's investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The City's investments were rated as follows:

Credit Quality Distribution for Securities
with Credit Exposure as a Percentage of Total Investments

Municipal Obligations	Aaa/AAA*	19%
TexPool	AAAm	10%
Federal Farm Credit Bank	Aaa/AA	9%
Federal National Mortgage Association	Aaa/AA	7%
Federal Agricultural Mortgage Corporation	Aaa/AA	8%
Federal Home Loan Mortgage Corporation	Aaa/AA	5%
Federal Home Loan Bank Notes	Aaa/AA	8%
Municipal Obligations	Aa/AA	15%
Municipal Obligations	A/A	1%

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. However, the City's investment policy calls for portfolio diversification by avoiding over-concentration in a specific maturity sector or specific instruments. The City's portfolio is 35% invested in Municipal Obligations, 17% invested in Certificates of Deposit Account Registry, and 8% invested in Federal Home Loan Bank as of September 30, 2016. The remaining 40% of the City's investments is invested in U.S. government issues, U.S. guaranteed obligations, or an external investment pool.

C. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Street Improvement	Nonmajor Governmental	Internal Service	Water and Sewer	Stormwater Utility	Total
Receivables:							
Property tax	$ 388,151	$	$ 60,611	$	$	$	$ 448,762
Other taxes	4,149,279		276,837				4,426,116
Accounts	2,810,714		570,648	14,104	1,022,925	56,149	4,474,540
Unbilled accounts					1,725,759	51,872	1,777,631
Assessments			34,788				34,788
Acrued interest	66,347	38,640	44,631		9,760	1,839	161,217
Gross receivables	7,414,491	38,640	987,515	14,104	2,758,444	109,860	11,323,054
Less: Allowance for uncollectibles	(1,966,717)		(13,518)		(98,302)	(6,749)	(2,085,286)
Net total receivables	$ 5,447,774	$ 38,640	$ 973,997	$ 14,104	$ 2,660,142	$ 103,111	$ 9,237,768

D. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

	Primary Government			
	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights of way	$ 40,443,167	$	$	$ 40,443,167
Construction in progress	5,148,819	1,085,672	(4,822,422)	1,412,069
Total capital assets, not being depreciated	45,591,986	1,085,672	(4,822,422)	41,855,236
Capital assets, being depreciated				
Improvements	10,260,045	393,400		10,653,445
Buildings	55,337,559	488,367	(500)	55,825,426
Equipment	27,141,790	3,944,312	(3,361,452)	27,724,650
Infrastructure	98,802,105	7,501,100	(727,456)	105,575,749
Intangible assets - software/websites	1,454,811	519,529		1,974,340
Total capital assets, being depreciated	192,996,310	12,846,708	(4,089,408)	201,753,610
Less accumulated depreciation for:				
Improvements	(6,770,636)	(448,801)		(7,219,437)
Buildings	(14,074,392)	(1,233,145)	500	(15,307,037)
Equipment	(18,971,155)	(1,982,118)	3,107,902	(17,845,371)
Infrastructure	(69,408,769)	(2,043,978)	727,456	(70,725,291)
Intangible assets - software/websites	(1,116,227)	(163,838)	32,031	(1,248,034)
Total accumulated depreciation	(110,341,179)	(5,871,880)	3,867,889	(112,345,170)
Total capital assets, being depreciated, net	82,655,131	6,974,828	(221,519)	89,408,440
Governmental activities capital assets, net	$ 128,247,117	$ 8,060,500	$ (5,043,941)	$ 131,263,676
Business-type activities:				
Capital assets, not being depreciated:				
Land and rights of way	$ 603,364			$ 603,364
Construction in progress	1,319,928	623,038		1,942,966
Total capital assets, not being depreciated	1,923,292	623,038		2,546,330
Capital assets, being depreciated:				
Improvements	46,126			46,126
Buildings	11,647,291			11,647,291
Equipment	5,559,330	420,815	(114,832)	5,865,313
Infrastructure	82,293,544			82,293,544
Intangible assets - software/websites	61,889			61,889
Total capital assets, being depreciated	99,608,180	420,815	(114,832)	99,914,163
Less accumulated depreciation for:				
Improvements	(24,830)	(1,146)		(25,976)
Buildings	(7,102,041)	(324,781)		(7,426,822)
Equipment	(3,012,837)	(479,092)	114,832	(3,377,097)
Infrastructure	(48,240,402)	(1,734,395)		(49,974,797)
Intangible assets - software/websites	(25,869)	(12,378)		(38,247)
Total accumulated depreciation	(58,405,979)	(2,551,792)	114,832	(60,842,939)
Total capital assets, being depreciated, net	41,202,201	(2,130,977)		39,071,224
Business-type activities capital assets, net	$ 43,125,493	$ (1,507,939)	$	$ 41,617,554

The preceding schedule includes internal service assets in the governmental activities. Internal service fund depreciation expense is allocated to the primary government based on each function's or program's usage of its services.

Depreciation expense (includes amortization expense of intangible assets) was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	$	576,669
Public safety		1,152,470
Public works, which includes the depreciation of general infrastructure assets		2,296,481
Culture and recreation		1,572,298
Unallocated		273,962
Total depreciation expense - governmental activities	$	5,871,880
Business-type activities:		
Water and sewer	$	2,504,543
Stormwater utility		47,249
Total depreciation expense business-type activities	$	2,551,792

Construction Commitments and Other Significant Commitments Including Encumbrances

The City has entered into several construction contracts during the fiscal year, which include street improvements, replacement of water mains, and the construction of municipal facilities. As of September 30, 2016, the City had outstanding construction contracts totaling $3,004,930 that will be financed from operating funds. Other significant commitments include the encumbrances outstanding for the general fund and non-major funds other than capital projects as shown below.

		Construction Commitments/ Encumbrances
Street improvement bond	$	2,369,721
Water and sewer fund		197,836
Non-major capital projects funds		437,373
Total	$	3,004,930

		Encumbrances
General fund for capital assets	$	398,500
General fund for other purposes		779,639
Water and sewer fund for other purposes		47,391
Water and sewer fund for capital assets		99,967
Stormwater utility fund for other purposes		532,734
Non-major funds other than capital projects		819,968
Non-major funds for capital assets		974
Total	$	2,679,173

E. Interfund Transfers

Government interfund transfers during the year ended September 30, 2016 were as follows:

	TRANSFERS IN		
TRANSFERS OUT	General Fund	Nonmajor Governmental Funds	Total
General fund	$	$ 1,485,000	$ 1,485,000
Nonmajor governmental funds	983,774	627,014	1,610,788
Water and sewer fund	4,099,200		4,099,200
Stormwater utility fund	74,800		74,800
Nonmajor proprietary funds	590,800		590,800
Total	$ 5,748,574	$ 2,112,014	$ 7,860,588

Eliminations

Interfund transfers are reported in the governmental and proprietary fund financial statements. In the entity-wide statements, interfund transfers are eliminated within the governmental activities column and business-type column, as appropriate.

Purpose of Transfers

Transfers are used to (1) move unrestricted revenues to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) for the water and sewer fund to the general fund for a payment in lieu of taxes. In addition, there was a transfer out of $541,292 from a nonmajor proprietary fund to the general fund to transfer capital assets. However, the general fund does not report capital assets; therefore, the offsetting transfer in is recorded in only the government-wide statements.

F. Tax Abatements

The City of Farmers Branch enters into tax abatement agreements with local residents and businesses under Chapter 380 of the Texas Local Government Code. Under this chapter, the City may provide incentives consisting of loans and grants of city funds, use of city personnel, facilities and services with or without charge, for the promotion of economic development.

The Residential Demolition/Rebuild Incentive Program provides property tax abatements to encourage redevelopment of existing housing stock in the City. There are two program options. In option one, the abatements equal 100 percent of the additional property tax resulting from the increased value as a result of the improvements, are administered as a refund of tax paid after payment request by the owner, and last for seven years (or fewer, if the property is sold). This option includes a reimbursement for up to $5,000 related to demolition of the original residence. In option two, the City will pay an incentive equal to ten times the amount of increase in city property taxes. The city will advance 50% of the estimated incentive after completion of construction, the balance will be paid in a single payment following the first full calendar year after construction completion. Abatements are obtained through application prior to beginning the improvements and commence when the City issues a certificate of occupancy or certificate of completion for the new residence. The property owner commits to demolition of the existing residence and the construction of a new residence within 24 months of the effective date of the agreement. If construction is not completed as agreed, the City has the option to terminate the agreement and seek reimbursement of the demolition cost reimbursement incentive. No other commitments were made by the City as part of those agreements. For the fiscal year ended September 30, 2016, the City abated property taxes totaling $66,808 to eighteen property owners under this program.

The City has entered into Economic Development Agreements for the promotion of the expansion of existing businesses within the City and the recruitment of new business enterprises to the City. These agreements include repayment provisions should the recipient fail to fully meet its commitments. The names of businesses receiving sales tax rebates are not disclosed as they are made confidential by Texas Tax Code Section 151.027.

- A ten year agreement for a 50 percent property tax rebate and sixty quarterly sales tax grants of 50% of the sales tax paid for years 1 to 7 and 25% of the sales tax paid for years 8 to 15 to a security services company to relocate its headquarters and call center. The incentive period began July 2015. The company must maintain a minimum level of taxable sales and continuous occupancy of the premises during the terms of the agreement. The abatements amounted to $422,532 during the fiscal year ended September 30, 2016.

- A ten year agreement for a 50 percent tangible personal property tax reduction and 100 percent sales tax rebate for a local home furnishings warehouse/store to purchase and renovate 415,000 square feet of office and manufacturing/distribution space and to relocate company corporate headquarters, warehouse, distribution center, and retail outlet store to Farmers Branch. The company must maintain a minimum taxable value of the tangible personal property of at least $2,000,000 as of January 1 of each calendar year during the agreement. The incentive period began April 2011. The abatements amounted to $94,723 during the fiscal year ended September 30, 2016.
- An agreement to make annual grants of 50 percent of the tangible personal property tax paid for years 1 to 5 and 25 percent of the tangible personal property tax paid for years 6 to 10 for La Bodega Meat to relocate its distribution facility/dry freezer warehouse space. The incentive period began August 2013. The company agreed to continuous lease and occupancy of the premises for the required use during the term of the agreement. The abatement amounted to $28,013 for the fiscal year ended September 30, 2016.
- An agreement with TXI Operations, LP to provide a tax abatement for business personal property for a period of thirteen years conditioned on the construction firm leasing approximately 45,000 square feet of space in a building located in Farmers Branch and the company relocation and operation of its corporate headquarters to the leased premises which it must continuously occupy and operate throughout the period of the agreement. The company must maintain taxable value of tangible personal property of at least $1,500,000 on January 1 immediately following the commencement date. The tax abatement is 100 percent of business personal property taxes paid for years 1 to 3, 50 percent for years 4 to 7, and 25 percent for years 8 to 13. The incentive period began November 2013. The abatement amounted to $11,716 for the fiscal year ended September 30, 2016.
- An agreement to rebate 30% of tangible personal property tax for five years for BSN Sports, LLC to maintain tangible personal property at the leased premises of at least $18,000,000 as of January 1 of each calendar year. The lease inception began January 2011. The abatement amounted to $11,713 for the fiscal year ended September 30, 2016.
- An agreement for five annual economic development grants equal to 30 percent of tangible personal property tax collected by the City for Newsom Designs, LLC/Wisteria, a catalog, website and retail store of antiques and decorative items for the home and garden, to relocate and operate its corporate headquarters and a distribution center in Farmers Branch. The company must maintain taxable value of tangible personal property of $1,000,000 as of January 1 during the term of the agreement. Also, the company agreed to continuous lease and occupancy of the premises for the required use during the term of the agreement. The lease inception began November 2010. The abatement amounted to $1,785 for the fiscal year ended September 30, 2016.

G. Long-Term Liabilities

General Obligation Bonds – The City of Farmers Branch issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the city. These bonds are generally issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 20 years. The city is required to compute, at the time taxes are levied, the rate of tax required to provide a fund to pay interest and principal at maturity. The city is in compliance with this requirement.

During the year, the City of Farmers Branch issued Combination Tax & Revenue Certificates of Obligation, Series 2016 in the amount of $2,545,000 for the purpose of designing, constructing, reconstructing, improving, renovating, expanding, equipping and furnishing police facilities and acquiring police equipment and supporting systems, including improvements to the Farmers Branch Justice Center, and the acquisition of land therefor.

Special Revenue Bonds – The City of Farmers Branch issued special revenue bonds to provide funds for the acquisition and construction of a community ice-skating and conference facility including public parking areas. Special revenue bonds are payable from the hotel occupancy tax and lease payments from the Dallas Stars with any deficiency to be paid from lessee deposits and/or from ad valorem taxes.

Bonds payable at September 30, 2016 are comprised of the following individual issues:

Govenmental Activities:	Sale Date	Original Borrowing	Interest Rates to Maturity (%)	Final Maturity	Outstanding Sept. 30, 2016
General Obligation Bonds:					
Certificates of obligation, taxable	2009	$ 10,000,000	1.50 - 5.22	2024	$ 6,045,000
General obligation refunding and improvement bonds	2010	5,605,561	2.00 - 4.00	2030	4,387,222
Certificates of obligation	2012	3,000,000	1.69	2023	2,165,000
Certificates of obligation	2013	7,148,755	2.50 - 4.50	2032	6,335,092
Certificates of obligation	2014	2,042,906	2.00 - 5.00	2024	1,663,704
General obligation bonds	2014	14,691,338	2.00 - 5.00	2034	12,397,281
Certificates of obligation	2016	2,694,083	2.00 - 3.00	2036	2,691,598
Total General Obligation Bonds		45,182,643			35,684,897
Special Revenue Bonds:					
General obligation refunding bonds, taxable	2011	$ 7,035,000	0.44 - 4.00	2025	$ 5,077,291
Total Special Revenue Bonds		7,035,000			5,077,291
Total Governmental Activities		$ 52,217,643			$ 40,762,188

The City currently has $9,000,000 of authorized, but unissued, general obligation bonds. These bonds are anticipated to be issued in 2018.

Legal Debt Margin – The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

Calculation of Legal Debt Margin – September 30, 2016

Adjusted Tax Base Valuation	$4,539,598,200
Constitutional Limit	2.5% of assessed valuation
Maximum Constitutional Revenue Available	$113,489,955
Tax Rate to Achieve Maximum Tax Revenue	$2.5000 per $100 of valuation
Adopted Tax Rate for Fiscal Year 2015-16	$0.602267 per $100 of valuation
Available Unused Constitutional Maximum Tax Rate	$1.897733 per $100 of valuation

Developer Advances – In prior years, the City entered into a development agreement, whereby American Realty Trust, Inc., Income Opportunity Realty Investors, Inc., and Transcontinental Realty Investors, Inc. agreed to advance funds to the City for project construction costs in Tax Increment Financing District No. 1 ("TIF No. 1"). The funds advanced and interest payable may be reimbursed only from the TIF No. 1 fund to the extent such funds are on deposit in the fund. Interest accrues beginning from the date the funds are received by the City. The interest rate is the lower of six percent or the developer's actual cost of funds. This interest is calculated on a simple straight-line basis semiannually on the unpaid balance plus accrued interest to date. This amount may be reimbursed only from the Tax Increment Financing District No. 1 ("TIF No. 1") to the extent such funds are on deposit in the fund. Current revenue projections indicate repayment of most of the accrued interest of approximately $9.9 million will be unlikely before the TIF No. 1 expires on December 31, 2019.

Landfill Closure and Postclosure Costs – The City owns a sanitary landfill site located in the city of Lewisville, Texas. On October 1, 2008, the City renewed a previous ten-year contract with Allied Waste North America, Inc. ("Allied Waste") for the operation and management of the landfill. The current agreement continues until all permitted air space has been filled with waste material.

The landfill operates on a "cell" basis and state and federal laws require the City to close the landfill once its capacity is reached and to monitor and maintain the site for 30 subsequent years. The site capacity of 24.5 million cubic yards will be reached in approximately 20 years. The City recognizes a portion of the final closure and postclosure care liability in each operating period even though actual final payout will not occur until the landfill is completely closed.

The amount recognized as a liability is based on the landfill capacity used as of the balance sheet date. As of September 30, 2016, the City had incurred a liability of $14,965,956, which represents the amount of costs estimated to date based on 77% of landfill capacity used to date. This amount includes a reduction of $329,074 for closure related expenditures paid during fiscal year 2016. The remaining estimated liability for these costs is $4,352,586, which will be recognized as the remaining capacity is used. Additionally, during the term of the agreement the City is required to maintain a special revenue fund for future landfill closure and postclosure costs and has restricted the fund balance of $4,452,302 for these costs. The estimated cost of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws, and other variables.

Changes in long-term liabilities - Changes in the City's long-term liabilities for the year ended September 30, 2016 are as follows:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
Governmental activities					
General obligation bonds	$ 34,220,000	$ 2,545,000	$ (2,665,000)	$ 34,100,000	$ 2,875,000
Special revenue bonds	5,500,000		(435,000)	5,065,000	440,000
Premium	1,548,133	149,083	(100,028)	1,597,188	104,997
Total bonds payable	41,268,133	2,694,083	(3,200,028)	40,762,188	3,419,997
Developer advances	6,557,028		(830,000)	5,727,028	
Compensated absences	5,301,687	2,425,136	(2,615,129)	5,111,694	601,035
Net pension liability	19,980,683	19,723,831	(7,383,653)	32,320,861	
Other post employment benefits obligation	1,401,436	586,565	(387,152)	1,600,849	
Claims	670,614	3,526,112	(3,479,886)	716,840	530,280
Landfill closure and postclosure care costs	15,287,339	7,691	(329,074)	14,965,956	
Governmental activities long-term debt	$ 90,466,920	$ 28,963,418	$ (18,224,922)	$ 101,205,416	$ 4,551,312
Business-type activities					
Compensated absences	$ 247,915	$ 122,645	$ (131,575)	$ 238,985	$ 42,816
Net pension liability	1,071,682	1,077,142	(403,230)	1,745,594	
Other post employment benefits obligation	103,933	46,436	(30,649)	119,720	
Business-type activities long-term debt	$ 1,423,530	$ 1,246,223	$ (565,454)	$ 2,104,299	$ 42,816
Total	$ 91,890,450	$ 30,209,641	$ (18,790,376)	$ 103,309,715	$ 4,594,128

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year-end, internal service fund liabilities for claims payable of $716,840, compensated absences of $109,798, other post-employment benefits obligation (OPEB) of $37,331, and pension liability of $959,869 are included in the above amounts. Also, for the governmental activities, claims payable, compensated absences, OPEB and net pension obligation are generally liquidated by the general fund. The developer advances will be liquidated from the TIF No. 1 District capital projects fund. The landfill closure and postclosure care costs will be liquidated from the landfill closure/postclosure fund.

The debt service requirements for each bond type are as follows:

Governmental Activities:

Year Ending	General Obligation Bonds			Special Revenue Bonds		
September 30	Principal	Interest	Total	Principal	Interest	Total
2017	$ 2,978,644	$ 1,201,355	$ 4,179,999	$ 441,353	$ 153,800	$ 595,153
2018	3,098,644	1,080,055	4,178,699	451,353	143,644	594,997
2019	2,338,644	978,152	3,316,796	466,353	131,872	598,225
2020	2,428,644	887,148	3,315,792	481,353	118,297	599,650
2021	2,523,644	790,422	3,314,066	496,353	102,859	599,212
2022-2026	10,765,974	2,526,461	13,292,435	2,740,526	229,085	2,969,611
2027-2031	7,620,932	1,167,347	8,788,279			
2032-2036	3,929,771	182,183	4,111,954			
Total	$ 35,684,897	$ 8,813,123	$ 44,498,020	$ 5,077,291	$ 879,557	$ 5,956,848

H. Risk Management and Other Information

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters: and, injuries to employees. A Schedule of Insurance Policies in Force showing the type of coverage, deductible, and liability limit is shown in Table 18 on page 104.

Workers' Compensation Insurance - The City has established the workers' compensation fund (an internal service fund) to account for workers' compensation uninsured risks of loss. Under this program, the workers' compensation fund provides coverage for up to a maximum of $350,000 for each workers' compensation occurrence claim.

The costs associated with this self-insurance plan are funded by charges to the City's other funds. Liabilities include provisions for claims reported and claims incurred, but not reported. The provision for reported claims is computed by the City's third party administrator based upon standard actuarial principles. The provision for claims incurred, but not yet reported, is estimated based on the City's experience and an actuarial study that was performed during fiscal year 2015. State law provides that the City is relieved of liability if a notice of employee injury has not been received within 30 days of the date on which the injury occurs.

At September 30, 2016, the amount of workers' compensation liabilities was $345,482. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for unpaid claims includes allocated loss adjustment expenses (ALAE), which are primarily legal expenses. Changes in the balance of claims liability during the past two years are as follows:

Fiscal Year	Beginning Fiscal Year Liability	Claims Incurred	Claims Payments	Changes in Estimates	Ending Fiscal Year Liability
2014-2015	$525,763	$125,047	($238,317)	($18,347)	$394,146
2015-2016	$394,146	$200,452	($296,078)	$46,962	$345,482

At September 30, 2016, workers' compensation fund cash and investments of $825,003 were held for the purpose of funding future obligations. The City continues to carry commercial insurance for other risks of loss (except medical insurance as described in the following section). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Group Medical Insurance – The health claims fund (an internal service fund) was established to account for the provision of group medical insurance coverage for employees and their dependents. The City's medical insurance program is a "self-insured" plan funded by both the City and participating employees. The City makes a predetermined contribution to the plan each month for a portion of medical group insurance coverage. This is done on a bi-monthly basis for qualifying City employees and their dependents. Employees contribute through payroll deductions for the balance of their medical coverage.

The City's medical insurance program is made up of two contracts, a specific stop loss contract and an aggregate stop loss contract. The specific stop loss contract has a specific deductible of $125,000 per individual and an $80,000 aggregating specific corridor with an unlimited lifetime maximum benefit on eligible expenses. The aggregate stop loss contract has a minimum attachment point of $3,753,473. The attachment point may go up based on an increase in enrollment, but the minimum or lowest it will ever be is $3,753,473. The aggregate contract will pay up to $1,000,000 on total claims over the attachment point.

All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan and the City reimburses the insurance company for the amount of each claim paid. The insurance company charges the City a fee for this service.

At September 30, 2016, the amount of estimated claims payable was $371,358. Changes in the reported liability since October 1, 2014 resulted from the following:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2014-2015	$277,632	$2,709,500	($2,710,664)	$276,468
2015-2016	$276,468	$3,278,698	($3,183,808)	$371,358

Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims and for claims incurred but not yet reported is determined by an independent consultant.

1) Commitments and Contingencies

The City has several long-term agreements with significant commitments as follows:

a. City of Dallas Water Purchase Agreement - The City purchases treated water from the City of Dallas under a 30-year contract negotiated in August 2010. The City makes payments to the City of Dallas at a rate of $.4305 per 1,000 gallons plus $243,453 per year for each million gallons per day rate of flow (maximum delivery rate). The City paid $5,414,578 to the City of Dallas for the fiscal year ended September 30, 2016.

b. Trinity River Authority (the "Authority") Sewage Disposal Agreement - On November 29, 1973, the City, along with other cities, entered into a 50-year contract with the Authority, whereby the Authority will provide and operate a regional wastewater treatment plant and wastewater conveyance facility constructed with the Authority's funds. In return, the cities agreed to pay for such services based on a usage formula that will provide reimbursements for operations, maintenance, and debt service payments to the Authority. The cities are jointly and severally responsible for the above payments. Each city's proportionate share is determined annually according to its contributing flow to the system. The City paid $3,125,687 to the Authority for the fiscal year ended September 30, 2016.

The City is involved in various legal actions in which claims of varying amounts are being asserted against the City. The City follows the practice of providing for these claims when a loss is probable and a loss becomes fixed or determinable in amount. In the opinion of City management, these actions will not result in a significant impact of the City's financial position.

The City participates in several federal grant programs that are governed by various rules and regulations of the grantor agencies. Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, which may be disallowed by the grantor, cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. For the year ended September 30, 2016, grant expenditures did not exceed the threshold for the single audit requirement; therefore, a single audit was not performed.

2) Postemployment Benefits Other Than Pensions

Plan Description - The City of Farmers Branch administers a single-employer defined contribution healthcare plan (the "Retiree Health Care Plan"). The plan contributes to postemployment healthcare benefits through the City's group health insurance plan, which covers both active and retired members (see funding policy below). Contributions are established through City policy as approved by City Council. The Retiree Health Care Plan does not issue a publicly available financial report.

The eligibility requirements are:

- Must be a current, full-time employee hired prior to January 1, 2007;
- Must have worked for the City for at least ten years, which do not need to be concurrent;
- Must meet the eligibility requirements of the Texas Municipal Retirement System (TMRS) and retire from the City; and,
- Must be on the City's health plan at the time of retirement, and for dependents to be carried on the health plan, they must also be on the plan at that time.

Funding Policy - The City contributes $575 per month toward the cost of an age-adjusted high deductible health insurance plan premium, plus a $500 annual lump sum payment to a health savings account (HSA) for those retirees selecting the age-adjusted health plan, and the full premium for life insurance coverage of $12,000. The eligible City retiree receives city paid coverage until age 65. As an alternative to the City's age-adjusted health plan, retirees may be provided a health reimbursement account (HRA) administered through CONEXIS. The City contributes $575 per month to this HRA plus an annual lump sum funding of $500 and the full premium for life insurance coverage of $12,000. The City's contribution for future health insurance premiums is capped at a maximum of $575 per month.

In fiscal year 2016, the City contributed $417,801 to the plan. Plan members receiving benefits contribute the additional cost above the age-adjusted health insurance premium after the City contribution and the full group premium for dental or vision plans selected. In fiscal year 2016, total member contributions were $49,450.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The City's annual OPEB cost for the fiscal year ending September 30, 2016 is as follows:

Annual required contribution (ARC)	$ 751,349
Interest on OPEB obligation	67,742
Adjustment to ARC	(186,090)
Annual OPEB cost (expense) end of year	$ 633,001
Net employer contributions	(417,801)
Increase in net OPEB obligation	$ 215,200
Net OPEB obligation, beginning of year	1,505,369
Net OPEB obligation, end of year	$ 1,720,569

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2016 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
2014	$ 760,121	$ 572,016	75%	$ 1,319,968
2015	647,576	462,175	71%	1,505,369
2016	633,001	417,801	66%	1,720,569

Funded Status – The funded status of the City's retiree health care plan under GASB Statement No. 45 as of December 31, 2014 is as follows:

Fiscal Year	Actuarial Valuation Date as of	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	Ratio of UAAL to Annual Covered Payroll (b-a)/d
2016	12/31/2014	$ 0	$ 4,917,608	$ 4,917,608	0.0%	$ 13,472,282	36.5%

Under the reporting parameters, the City's retiree health care plan is 0.0% funded with the actuarial accrued liability exceeding the actuarial assets by $4,917,608 at December 31, 2014. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 36.5%.

Actuarial Methods and Assumptions – The Projected Unit Credit Cost Method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums, and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Inflation rate	3.00% per annum
Investment rate of return	4.50% per annum, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level Dollar
Amortization period	10-year open amortization
Payroll growth	NA
Medical trend	The City's subsidy is not expected to increase in the future.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions to the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

3) Defined Benefit Pension Plan

Plan Description

The City of Farmers Branch participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS. The City does not participate in the Social Security system.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are 200% of the employee's accumulated contributions. Beginning in 1996 the City granted, on an annually repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically computing the member's account balance by assuming that the current member deposit rate of 7% and City matching ratio of 2 to 1 has always been in effect. The computation also assumes that the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the 2 to 1 City match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or updated service credit) equal to the difference between the hypothetical calculation and the actual calculation. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity. Additionally initiated in 1996, the City provides, on an annually repeating basis, increases for retirees equal to 70% of the change in the Consumer Price Index (CPI).

Members can retire at ages 60 and above with five or more years of service or with 25 years of service regardless of age. A member is vested after five years.

Employees covered by benefit terms:

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	292
Inactive employees entitled to but not yet receiving benefits	251
Active employees	403
Total	946

Contributions

The contribution rate for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method. The actuarially determined rate is the

estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Farmers Branch were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Farmers Branch were 19.09% and 17.75% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were $4,859,534.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	$ 227,880,390	$ 206,828,025	$ 21,052,365
Changes for the year:			
Service cost	4,261,691		4,261,691
Interest	15,717,266		15,717,266
Difference between expected and actual experience	(698,312)		(698,312)
Changes of assumptions	626,944		626,944
Contributions - employer		4,939,690	(4,939,690)
Contributions - employee		1,843,704	(1,843,704)
Net investment income		305,177	(305,177)
Benefit payments, including refunds of employee contributions	(10,957,740)	(10,957,740)	
Administrative expense		(185,890)	185,890
Other changes		(9,182)	9,182
Net changes	$ 8,949,849	$ (4,064,241)	$ 13,014,090
Balance at 12/31/2015	$ 236,830,239	$ 202,763,784	$ 34,066,455

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$66,964,475	$34,066,455	$7,046,969

Pension plan fiduciary net position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended September 30, 2016, the City recognized pension expense of $6,266,454.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 3,551,846	$
Differences between projected and actual investment earnings	12,866,982	
Changes in actuarial assumptions	474,773	
Differences between expected and actual economic experience		2,617,777
Total	$ 16,893,601	$ 2,617,777

The amount of $2,414,092 reported as deferred inflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2016	$ 2,414,092
2017	$ 2,414,092
2018	$ 3,063,315
2019	$ 2,832,479
2020	$ 0
Thereafter	$ 0
Total	$ 10,723,978

4) Accounting Standards

The GASB has issued the following Statement(s) which were implemented during the current fiscal year as shown below:

GASB Statement No. 72 – *Fair Value Measurement and Application.* The statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The statement requires donated capital assets be measured at acquisition value versus the previous requirement of measurement at fair value. The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2015. All applicable provisions have been included in the City's financial statements as of September 30, 2016.

GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2015. All applicable provisions have been included in the City's financial statements as of September 30, 2016.

GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2015. All applicable provisions have been included in City's financial statements as of September 30, 2016.

GASB Statement No. 77 – *Tax Abatement Disclosures.* This statement requires governments that enter into tax abatement agreements to disclose the information about the agreements including a description, amount, and commitments made by the government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this statement are effective for financial statements for reporting periods beginning after December 15, 2015. All applicable provisions have been included in City's financial statements as of September 30, 2016.

GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants.* This statement establishes specific financial reporting criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. The statement also establishes additional note disclosure for qualifying external investment pools. The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2015. All applicable provisions have been included in City's financial statements as of September 30, 2016.

The GASB has issued the following Statement(s) which will become effective in future years as shown below:

GASB Statement No. 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement will become effective September 30, 2017. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement will become effective September 30, 2018. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 80 - *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended.* This Statement will become effective September 30, 2017. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 81 - *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will become effective September 30, 2018. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 82 - *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.* This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will become effective September 30, 2018. Management has not yet determined the impact of this Statement on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS (will ultimately be displayed)
(UNAUDITED)

Texas Municipal Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years (will ultimately be displayed)

Measurement Year	2014	2015
Actuarial Valuation Date	12/31/2014	12/31/2015
Total pension liability		
Service cost	$ 4,007,557	$ 4,261,691
Interest (on the total pension liability)	15,367,910	15,717,266
Changes of benefit terms	0	0
Difference between expected and actual experience	(3,914,413)	(698,312)
Change of assumptions	0	626,944
Benefit payments, including refunds of employee contributions	(10,236,923)	(10,957,740)
Net change in total pension liability	5,224,131	8,949,849
Total pension liability - beginning	222,656,259	227,880,390
Total pension liability - ending (a)	$ 227,880,390	$ 236,830,239
Plan fiduciary net position		
Contributions - employer	$ 4,951,824	$ 4,939,690
Contributions - employee	1,779,313	1,843,704
Net investment income	11,387,339	305,177
Benefit payments, including refunds of employee contributions	(10,236,923)	(10,957,740)
Administrative expense	(118,899)	(185,890)
Other	(9,775)	(9,182)
Net change in plan fiduciary net position	7,752,879	(4,064,241)
Plan fiduciary net position - beginning	199,075,146	206,828,025
Plan fiduciary net position - ending (b)	$ 206,828,025	$ 202,763,784
Net pension liability - ending [(a) - (b)]	$ 21,052,365	$ 34,066,455
Plan fiduciary net position as a percentage of total pension liability	90.76%	85.62%
Covered employee payroll	$ 25,406,973	$ 25,797,163
Net pension liability as a percentage of covered employee payroll	82.86%	132.06%

REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

Texas Municipal Retirement System - Schedule of Contributions
Last Ten Fiscal Years

Fiscal Year	(1) Actuarially determined contribution	(2) Contributions in relation to the actuarially determined contribution	(3) Contribution excess (deficiency) (2) - (1)	(4) Covered employee payroll	(5) Actuarially determined contributions as a percentage of covered payroll (1)/(4)	(6) Contributions as a percentage of covered employee payroll (2)/(4)
2007	$ 3,614,401	$ 3,614,401	$ 0	$ 24,933,607	14.50%	14.50%
2008	4,114,688	4,114,688	0	27,297,287	15.07%	15.07%
2009	5,235,865	4,303,436	932,429	26,997,770	19.39%	15.94%
2010	5,944,245	4,710,833	1,233,412	27,265,998	21.80%	17.28%
2011	5,820,537	4,832,072	988,465	26,147,793	22.26%	18.48%
2012	4,730,179	4,730,179	0	24,713,567	19.14%	19.14%
2013	4,875,095	4,875,095	0	24,834,269	19.63%	19.63%
2014	4,919,572	4,919,572	0	25,143,279	19.57%	19.57%
2015	4,887,161	4,887,161	0	25,596,098	19.09%	19.09%
2016	4,859,534	4,859,534	0	26,799,133	18.13%	18.13%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	10 Year Smoothed Market, 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rate multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes	Adopted buy-back provision.

REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTH PLAN
SCHEDULE OF FUNDING PROGRESS
LAST THREE FISCAL YEARS
(UNAUDITED)

Retiree Health Care Plan Schedule of Funding Progress
Last Three Fiscal Years

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll*	UAAL as a Percentage of Covered Payroll
2014	12/31/2012	$ 0	$ 5,358,482	$ 5,358,482	0.0%	$ 14,990,130	35.7%
2015	12/31/2014	0	4,917,608	4,917,608	0.0%	14,149,211	34.8%
2016	12/31/2014	0	4,917,608	4,917,608	0.0%	13,472,282	36.5%

* The annual covered payroll for the Retiree Benefit Plan includes only full time employees hired prior to January 1, 2007.

OTHER SUPPLEMENTARY INFORMATION

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COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used by the City to account for the accumulation and disbursement of restricted resources. The following is a description of the City's Special Revenue Funds:

Hotel/Motel - to account for receipt and allocation of the City's hotel/motel occupancy tax. Use of this tax is limited by law to the promotion of tourism. The City hotel occupancy tax rate for its twelve hotels is 7%.

Police Forfeitures - to account for proceeds from the sale of assets seized in connection with drug arrests. Revenues are restricted to law enforcement expenditures.

Donations - to account for voluntary contributions for community improvement.

Cemetery – to account for grounds maintenance of Keenan Cemetery.

Grants - to account for grant revenues and expenditures.

Municipal Court Fees – to account for the municipal court building security fee dedicated to courthouse security and the municipal court technology fee for the purchase of technological enhancements.

Landfill Closure/Postclosure - to account for the accumulated contributions from a prior contract with Allied Waste North America, Inc. to provide resources for current and future landfill costs related to closure/postclosure.

PEG Access Channel – to account for Public, Educational, Governmental (PEG) access channel capital support. Funding source is 1% of cable franchisees' gross revenue.

Farmers Branch Local Government Corporation – to account for activities to further the promotion, development, encouragement, and maintenance of employment, commerce, economic development and public facility development in Farmers Branch, and currently to develop oil, natural gas and other mineral interests on behalf of the City.

Dangerous Structures Bond Fund – to account for the costs related to the acquisition and demolition of dangerous structures (the Project) located within the City and the payment of professional services in connection with the Project. Funded by certificate of obligation proceeds.

DEBT SERVICE FUND

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest. The governmental long-term debt serviced by the Debt Service Fund consists of general obligation bonds and special revenue bonds.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for all resources used for the acquisition and/or construction of major capital facilities by the City, except those financed by the Enterprise Fund. The following is a description of the City's Capital Projects Funds:

Non-Bond Capital Projects – to account for the acquisition and construction of major capital facilities.

Hotel/Motel - to account for the construction and financing of historical park improvements, funded by hotel/motel tax revenues.

Radio System Bond – to account for public radio system upgrades and improvements.

Consolidated Dispatch Bond – to account for acquiring, equipping, or constructing of joint public safety dispatch, communications, and training facilities.

Aquatic Center Bond – to account for the design, construction, and equipment for the new aquatics facility.

Justice Center Improvement Bond – to account for funds to be used for security upgrades, expansion and modernization including shielding for Police and Court, upgrades to locker rooms, evidence and patrol rooms for Police, and updates to jury deliberations and Marshal's office for Court.

TIF No. 1 District Fund - to account for infrastructure construction in the Mercer Crossing tax increment financing district and is funded from developer contributions, developer advances, and property tax payments.

TIF No. 2 District Fund - to account for infrastructure construction in the Old Farmers Branch tax increment financing district and is funded from developer contributions, developer advances, and property tax payments.

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COMBINING BALANCE SHEET - SUMMARY
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash, cash equivalents, and investments	$ 8,218,134	$ 1,526,092	$ 5,047,210	$ 14,791,436
Receivables (net of allowance for uncollectibles)	374,466	60,611	494,289	929,366
Accrued interest and other	27,484		17,147	44,631
Inventories	1,177,597			1,177,597
Prepaid items	813			813
Total assets	$ 9,798,494	$ 1,586,703	$ 5,558,646	$ 16,943,843
LIABILITIES				
Accounts payable	$ 541,054	$	$ 512,091	$ 1,053,145
Retainage payable			47,108	47,108
Deposits payable		600,000	20,000	620,000
Unearned revenue - other	4,444			4,444
Total liabilities	545,498	600,000	579,199	1,724,697
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue		60,612	21,270	81,882
Total deferred inflows of resources		60,612	21,270	81,882
FUND BALANCES				
Nonspendable:				
Inventory	1,177,597			1,177,597
Prepaid items	813			813
Restricted for:				
Construction of capital assets			3,830,082	3,830,082
Landfill closure / postclosure	4,452,302			4,452,302
Dangerous structures abatement	6,035			6,035
Promotion of tourism	2,387,216			2,387,216
Purpose of grantors, trustees and donors	335,645			335,645
Debt service		211,226		211,226
Law enforcement	893,388			893,388
Assigned to:				
Construction of capital assets			1,128,095	1,128,095
Debt service		714,865		714,865
Total fund balances	9,252,996	926,091	4,958,177	15,137,264
Total liabilities, deferred inflows of resources, and fund balances	$ 9,798,494	$ 1,586,703	$ 5,558,646	$ 16,943,843

CITY OF FARMERS BRANCH, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2016

	Nonmajor Special Revenue Funds				
	Hotel/ Motel	Police Forfeitures	Donations	Cemetery	Grants
ASSETS					
Cash, cash equivalents, and investments	$ 2,209,987	$ 228,335	$ 199,056	$ 1,776	$ 1,913
Receivables (net of allowance for uncollectibles)	265,781	6,494		1,200	2,441
Accrued interest and other	7,590	1,035	837	33	
Inventories	6,162				
Prepaid items	813				
Total assets	$ 2,490,333	$ 235,864	$ 199,893	$ 3,009	$ 4,354
LIABILITIES					
Accounts payable	$ 96,142	$ 1,163	$ 2,809	$	$
Unearned revenue - other		90			4,354
Total liabilities	96,142	1,253	2,809		4,354
FUND BALANCES					
Nonspendable:					
Inventory	6,162				
Prepaid items	813				
Restricted for:					
Landfill closure / postclosure					
Dangerous structures abatement					
Promotion of tourism	2,387,216				
Purpose of grantors, trustees, and donors			197,084	3,009	
Law enforcement		234,611			
Total fund balances	2,394,191	234,611	197,084	3,009	
Total liabilities, deferred inflows of resources, and fund balances	$ 2,490,333	$ 235,864	$ 199,893	$ 3,009	$ 4,354

Nonmajor Special Revenue Funds					Total
Municipal Court Fees	Landfill Closure / Postclosure	PEG Access Channel	Farmers Branch Local Gov't Corporation	Dangerous Structures Bond	Nonmajor Special Revenue Funds
$ 858,094	$ 4,595,622	$ 76,872	$ 40,683	$ 5,796	$ 8,218,134
80,740		17,810			374,466
665	16,898	187		239	27,484
				1,171,435	1,177,597
					813
$ 939,499	$ 4,612,520	$ 94,869	$ 40,683	$ 1,177,470	$ 9,798,494
$ 280,722	$ 160,218	$	$	$	$ 541,054
					4,444
280,722	160,218				545,498
				1,171,435	1,177,597
					813
	4,452,302				4,452,302
				6,035	6,035
					2,387,216
		94,869	40,683		335,645
658,777					893,388
658,777	4,452,302	94,869	40,683	1,177,470	9,252,996
$ 939,499	$ 4,612,520	$ 94,869	$ 40,683	$ 1,177,470	$ 9,798,494

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2016

	Nonmajor Capital Projects Funds								Total Nonmajor Capital Projects Funds
	Non-Bond	Hotel/ Motel	Radio System Bond	Consolidated Dispatch Bond	Aquatic Center Bond	Justice Center Improvement Bond	TIF No. 1 District	TIF No. 2 District	
ASSETS									
Cash, cash equivalents, and investments	$ 1,151,450	$ 33,975	$ 699,945	$ 124,845	$ 238,679	$ 2,603,020	$ 9,230	$ 186,066	$ 5,047,210
Receivables (net of allowance for uncollectibles)	40,374			441,419				12,496	494,289
Accrued interest and other	3,985	141	3,006	2,473	1,046	2,860	859	2,777	17,147
Total assets	$ 1,195,809	$ 34,116	$ 702,951	$ 568,737	$ 239,725	$ 2,605,880	$ 10,089	$ 201,339	$ 5,558,646
LIABILITIES									
Accounts payable	$ 4,882	$	$ 461,109	$ 46,100	$	$	$	$	$ 512,091
Retainage payable	34,058			13,050					47,108
Deposits payable	20,000								20,000
Total liabilities	58,940		461,109	59,150					579,199
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	8,774							12,496	21,270
Total deferred inflows of resources	8,774							12,496	21,270
FUND BALANCES									
Restricted for:									
Construction of capital assets		34,116	241,842	509,587	239,725	2,605,880	10,089	188,843	3,830,082
Assigned to:									
Construction of capital assets	1,128,095								1,128,095
Total fund balances	1,128,095	34,116	241,842	509,587	239,725	2,605,880	10,089	188,843	4,958,177
Total liabilities, deferred inflows of resources, and fund balances	$ 1,195,809	$ 34,116	$ 702,951	$ 568,737	$ 239,725	$ 2,605,880	$ 10,089	$ 201,339	$ 5,558,646

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SUMMARY
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	$	$ 3,944,703	$	$ 3,944,703
Hotel/motel taxes	2,959,667			2,959,667
Franchise taxes	74,303			74,303
Tax increment financing			2,236,280	2,236,280
Special assessments			1,152	1,152
Fines and forfeitures	869,881			869,881
Investment income	93,233	660,000	50,586	803,819
Intergovernmental	353,153			353,153
Developer's contributions			12,000	12,000
Miscellaneous	116,178			116,178
Total revenues	4,466,415	4,604,703	2,300,018	11,371,136
EXPENDITURES				
Current:				
General government	188,105			188,105
Public safety	1,044,121			1,044,121
Public works	480,473			480,473
Culture and recreation	1,910,043			1,910,043
Debt service:				
Principal retirement		3,100,000	830,000	3,930,000
Interest and fiscal agent charges		1,437,739		1,437,739
Issuance costs			96,628	96,628
Capital outlay			3,527,150	3,527,150
Total expenditures	3,622,742	4,537,739	4,453,778	12,614,259
Excess (deficiency) of revenues over (under) expenditures	843,673	66,964	(2,153,760)	(1,243,123)
OTHER FINANCING SOURCES (USES)				
Transfers in		627,014	1,485,000	2,112,014
Transfers out	(1,610,788)			(1,610,788)
Certificates of obligation issued			2,545,000	2,545,000
Premium on debt issued			149,083	149,083
Total other financing sources (uses)	(1,610,788)	627,014	4,179,083	3,195,309
Net change in fund balances	(767,115)	693,978	2,025,323	1,952,186
Fund balances--beginning	10,020,111	232,113	2,932,854	13,185,078
Fund balances--ending	$ 9,252,996	$ 926,091	$ 4,958,177	$ 15,137,264

CITY OF FARMERS BRANCH, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Nonmajor Special Revenue Funds					
	Hotel/ Motel	Police Forfeitures	Donations	Cemetery	Stars Center	Grants
REVENUES						
Hotel/motel taxes	$ 2,959,667	$	$	$	$	$
Franchise taxes						
Fines and forfeitures		8,785				
Investment income	34,613	3,050	2,465	96		
Intergovernmental						353,153
Miscellaneous	26,814		52,930	1,200		
Total revenues	3,021,094	11,835	55,395	1,296		353,153
EXPENDITURES						
General government			5,543			
Public safety		45,852	14,188			295,089
Public works						55,694
Culture and recreation	1,762,604		125,713	19,356		2,370
Total expenditures	1,762,604	45,852	145,444	19,356		353,153
Excess (deficiency) of revenues over (under) expenditures	1,258,490	(34,017)	(90,049)	(18,060)		
OTHER FINANCING USES						
Transfers out	(468,900)				(627,014)	
Total other financing uses	(468,900)				(627,014)	
Net change in fund balances	789,590	(34,017)	(90,049)	(18,060)	(627,014)	
Fund balances--beginning	1,604,601	268,628	287,133	21,069	627,014	
Fund balances--ending	$ 2,394,191	$ 234,611	$ 197,084	$ 3,009	$	$

Nonmajor Special Revenue Funds					Total
Municipal Court Fees	Landfill Closure / Postclosure	PEG Access Channel	Farmers Branch Local Gov't Corporation	Dangerous Structures Bond	Nonmajor Special Revenue Funds
$	$	$	$	$	$ 2,959,667
		74,303			74,303
861,096					869,881
1,961	49,791	553		704	93,233
					353,153
				35,234	116,178
863,057	49,791	74,856		35,938	4,466,415
176,827		5,735			188,105
688,992					1,044,121
	424,779				480,473
					1,910,043
865,819	424,779	5,735			3,622,742
(2,762)	(374,988)	69,121		35,938	843,673
				(514,874)	(1,610,788)
				(514,874)	(1,610,788)
(2,762)	(374,988)	69,121		(478,936)	(767,115)
661,539	4,827,290	25,748	40,683	1,656,406	10,020,111
$ 658,777	$ 4,452,302	$ 94,869	$ 40,683	$ 1,177,470	$ 9,252,996

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Nonmajor Capital Projects Funds								Total Nonmajor Capital Projects Funds
	Non-Bond	Hotel/ Motel	Radio System Bond	Consolidated Dispatch Bond	Aquatic Center Bond	Justice Center Improvement Bond	TIF No. 1 District	TIF No. 2 District	
REVENUES									
Tax increment financing	$	$	$	$	$	$	$ 1,500,734	$ 735,546	$ 2,236,280
Special assessments	1,152								1,152
Investment income	11,808	415	8,857	7,288	3,082	8,425	2,528	8,183	50,586
Developer's contributions	12,000								12,000
Total revenues	24,960	415	8,857	7,288	3,082	8,425	1,503,262	743,729	2,300,018
EXPENDITURES									
Issuance costs						96,628			96,628
Principal retirement							830,000		830,000
Capital outlay	1,140,411		564,966	78	24,797		717,320	1,079,578	3,527,150
Total expenditures	1,140,411		564,966	78	24,797	96,628	1,547,320	1,079,578	4,453,778
Excess (deficiency) of revenues over (under) expenditures	(1,115,451)	415	(556,109)	7,210	(21,715)	(88,203)	(44,058)	(335,849)	(2,153,760)
OTHER FINANCING SOURCES (USES)									
Certificates of obligation issued						2,545,000			2,545,000
Premium on debt issued						149,083			149,083
Transfers in	1,485,000								1,485,000
Total other financing sources (uses)	1,485,000					2,694,083			4,179,083
Net change in fund balances	369,549	415	(556,109)	7,210	(21,715)	2,605,880	(44,058)	(335,849)	2,025,323
Fund balances--beginning	758,546	33,701	797,951	502,377	261,440		54,147	524,692	2,932,854
Fund balances--ending	$ 1,128,095	$ 34,116	$ 241,842	$ 509,587	$ 239,725	$ 2,605,880	$ 10,089	$ 188,843	$ 4,958,177

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

General Fund, Nonmajor Special Revenue Funds, and Debt Service Fund

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget
REVENUES						
Property taxes	$ 22,925,000	$ 22,400,000	$ 22,385,695	$	$ 22,385,695	$ (14,305)
Sales and use taxes	14,185,000	13,645,000	13,639,841		13,639,841	(5,159)
Franchise taxes	4,651,000	4,336,000	4,235,295		4,235,295	(100,705)
Licenses and permits	1,459,000	1,243,200	1,427,801		1,427,801	184,601
Charges for services	5,338,700	5,541,800	5,407,761		5,407,761	(134,039)
Fines and forfeitures	2,717,000	2,281,500	2,255,213		2,255,213	(26,287)
Investment income	635,700	748,000	733,970		733,970	(14,030)
Intergovernmental		150,000	150,000		150,000	
Miscellaneous	254,000	277,000	66,178		66,178	(210,822)
Total revenues	52,165,400	50,622,500	50,301,754		50,301,754	(320,746)
EXPENDITURES						
General government:						
General government	3,158,900	2,549,900	2,536,972	(16,846)	2,520,126	29,774
General administration	2,673,400	3,214,700	2,805,971	(57,356)	2,748,615	466,085
Human resources	1,036,500	999,600	927,528	14,090	941,618	57,982
Finance	4,511,200	4,392,300	4,531,499	(155,853)	4,375,646	16,654
Community services	2,500,600	2,662,000	2,457,060	96,201	2,553,261	108,739
Public safety:						
Police	13,093,000	13,200,600	13,093,321	15,882	13,109,203	91,397
Fire	10,147,100	10,082,100	10,216,180	(26,300)	10,189,880	(107,780)
Public works:						
Public works	7,656,900	6,956,600	6,898,308	(118,012)	6,780,296	176,304
Culture and recreation:						
Parks and recreation	9,386,700	9,322,000	9,150,117	11,874	9,161,991	160,009
Library	1,784,900	1,811,300	1,863,383	(18,661)	1,844,722	(33,422)
Total expenditures	55,949,200	55,191,100	54,480,339	(254,981)	54,225,358	965,742
Deficiency of revenues under expenditures	(3,783,800)	(4,568,600)	(4,178,585)	254,981	(3,923,604)	644,996
OTHER FINANCING SOURCES (USES)						
Transfers in	4,997,300	5,716,600	5,748,574		5,748,574	31,974
Transfers out	(1,485,000)	(1,485,000)	(1,485,000)		(1,485,000)	
Sale of general capital assets	150,000	150,000	82,726		82,726	(67,274)
Insurance recoveries	21,500	6,800	4,712		4,712	(2,088)
Total other financing sources	3,683,800	4,388,400	4,351,012		4,351,012	(37,388)
Net change in fund balance	(100,000)	(180,200)	172,427	254,981	427,408	607,608
Fund balances--beginning	11,283,062	11,283,062	12,716,178	(1,433,116)	11,283,062	
Fund balances--ending	$ 11,183,062	$ 11,102,862	$ 12,888,605	$ (1,178,135)	$ 11,710,470	$ 607,608

CITY OF FARMERS BRANCH, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Hotel/Motel			Police Forfeitures		
	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
REVENUES						
Hotel taxes	$ 2,970,000	$ 2,959,667	$ (10,333)	$	$	$
Fines, forfeitures, and assessments				31,400	8,785	(22,615)
Franchise taxes						
Investment income	30,000	34,613	4,613		3,050	3,050
Intergovernmental						
Donations and miscellaneous	41,000	26,814	(14,186)			
Total revenues	3,041,000	3,021,094	(19,906)	31,400	11,835	(19,565)
EXPENDITURES						
General government						
Public safety				126,000	88,087	37,913
Public works						
Culture and recreation	1,930,500	1,804,225	126,275			
Total expenditures	1,930,500	1,804,225	126,275	126,000	88,087	37,913
Excess (deficiency) of revenues over (under) expenditures	1,110,500	1,216,869	106,369	(94,600)	(76,252)	18,348
OTHER FINANCING USES						
Transfers out	(468,900)	(468,900)				
Sales of capital assets/insurance recoveries	150,000		(150,000)			
Total other financing uses	(318,900)	(468,900)	(150,000)			
Net change in fund balances	791,600	747,969	(43,631)	(94,600)	(76,252)	18,348
Fund balances--beginning	1,268,812	1,268,812		268,628	268,628	
Fund balances--ending	$ 2,060,412	$ 2,016,781	$ (43,631)	$ 174,028	$ 192,376	$ 18,348

Donations			Cemetery		
Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
$	$	$	$	$	$
	2,465	2,465	200	96	(104)
52,430	52,930	500	1,200	1,200	
52,430	55,395	2,965	1,400	1,296	(104)
9,791	5,543	4,248			
14,600	14,188	412			
131,500	125,713	5,787	22,150	19,356	2,794
155,891	145,444	10,447	22,150	19,356	2,794
(103,461)	(90,049)	13,412	(20,750)	(18,060)	2,690
(103,461)	(90,049)	13,412	(20,750)	(18,060)	2,690
287,133	287,133		21,069	21,069	
$ 183,672	$ 197,084	$ 13,412	$ 319	$ 3,009	$ 2,690

CITY OF FARMERS BRANCH, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Grants			Municipal Court Fees		
	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
REVENUES						
Hotel taxes	$	$	$	$	$	$
Fines, forfeitures, and assessments				867,800	861,096	(6,704)
Franchise taxes						
Investment income					1,961	1,961
Intergovernmental	353,742	353,153	(589)			
Donations and miscellaneous						
Total revenues	353,742	353,153	(589)	867,800	863,057	(4,743)
EXPENDITURES						
General government				204,400	180,031	24,369
Public safety	78,021	77,512	509	725,708	688,992	36,716
Public works	55,694	55,694				
Culture and recreation	2,450	2,370	80			
Total expenditures	136,165	135,576	589	930,108	869,023	61,085
Excess (deficiency) of revenues over (under) expenditures	217,577	217,577		(62,308)	(5,966)	56,342
OTHER FINANCING USES						
Transfers out						
Sales of capital assets/insurance recoveries						
Total other financing uses						
Net change in fund balances	217,577	217,577		(62,308)	(5,966)	56,342
Fund balances--beginning	(217,577)	(217,577)		660,343	660,343	
Fund balances--ending	$	$	$	$ 598,035	$ 654,377	$ 56,342

Landfill Closure / Postclosure			PEG Access Channel			Farmers Branch Local Gov't Corporation		
Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
$	$	$	$	$	$	$	$	$
			74,500	74,303	(197)			
42,000	49,791	7,791		553	553			
42,000	49,791	7,791	74,500	74,856	356			
			83,000	5,735	77,265			
755,000	722,938	32,062						
755,000	722,938	32,062	83,000	5,735	77,265			
(713,000)	(673,147)	39,853	(8,500)	69,121	77,621			
(713,000)	(673,147)	39,853	(8,500)	69,121	77,621			
4,827,290	4,827,290		25,748	25,748		40,683	40,683	
$ 4,114,290	$ 4,154,143	$ 39,853	$ 17,248	$ 94,869	$ 77,621	$ 40,683	$ 40,683	$

(continued)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Dangerous Structures Bond			Totals		
	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
REVENUES						
Hotel taxes	$	$	$	$ 2,970,000	$ 2,959,667	$ (10,333)
Fines, forfeitures, and assessments				899,200	869,881	(29,319)
Franchise taxes				74,500	74,303	(197)
Investment income	3,000	704	(2,296)	75,200	93,233	18,033
Intergovernmental				353,742	353,153	(589)
Donations and miscellaneous		35,234	35,234	94,630	116,178	21,548
Total revenues	3,000	35,938	32,938	4,467,272	4,466,415	(857)
EXPENDITURES						
General government				297,191	191,309	105,882
Public safety				1,699,329	1,591,717	107,612
Public works				55,694	55,694	
Culture and recreation				2,086,600	1,951,664	134,936
Total expenditures				4,138,814	3,790,384	348,430
Excess (deficiency) of revenues over (under) expenditures	3,000	35,938	32,938	328,458	676,031	347,573
OTHER FINANCING USES						
Transfers out	(482,900)	(514,874)	31,974	(951,800)	(983,774)	(31,974)
Sales of capital assets/insurance recoveries				150,000		(150,000)
Total other financing uses	(482,900)	(514,874)	31,974	(801,800)	(983,774)	(181,974)
Net change in fund balances	(479,900)	(478,936)	64,912	(473,342)	(307,743)	165,599
Fund balances--beginning	1,656,406	1,656,406		8,838,535	8,838,535	
Fund balances--ending	$ 1,176,506	$ 1,177,470	$ 64,912	$ 8,365,193	$ 8,530,792	$ 165,599

(concluded)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Revised Budget	Actual Budget Basis	Variance
REVENUES			
Property taxes	$ 3,977,500	$ 3,944,703	$ (32,797)
Investment income	660,000	660,000	
Total revenues	4,637,500	4,604,703	(32,797)
EXPENDITURES			
Principal retirement	3,100,000	3,100,000	
Interest and fiscal agent charges	1,439,200	1,437,739	1,461
Total expenditures	4,539,200	4,537,739	1,461
Excess of revenues over expenditures	98,300	66,964	(31,336)
OTHER FINANCING SOURCES			
Transfers in	627,015	627,014	1
Total other financing sources	627,015	627,014	1
Net change in fund balances	725,315	693,978	(31,337)
Fund balances--beginning	232,113	232,113	
Fund balances--ending	$ 957,428	$ 926,091	$ (31,337)

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COMBINING FINANCIAL STATEMENTS

INTERNAL SERVICE FUNDS

The Internal Service Funds account for the financing services provided by one department to other departments of the City on a cost reimbursement basis. The following is a description of the City's Internal Service Funds:

Fleet & Facilities Management Fund - to account for materials and supplies provided exclusively to other funds and departments of the City.

Workers' Compensation Fund - to account for the City's workers' compensation self-insurance program.

Health Claims Fund – to account for the City's group health self-insurance program for employees, retirees, and their immediate families.

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2016

	Fleet & Facilities Management	Workers' Compensation	Health Claims	Total
ASSETS				
Current assets:				
Cash, cash equivalents, and investments	$ 1,059,571	$ 825,003	$ 1,086,704	$ 2,971,278
Receivables (net of allowance for uncollectibles)			14,104	14,104
Inventories	27,160			27,160
Prepaid items	8,516			8,516
Deposits		49,000		49,000
Total current assets	1,095,247	874,003	1,100,808	3,070,058
Noncurrent assets:				
Capital assets:				
Nondepreciable	8,170			8,170
Depreciable, net of accumulated depreciation	379,737			379,737
Total noncurrent assets	387,907			387,907
Total assets	1,483,154	874,003	1,100,808	3,457,965
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pensions subsequent to the measurement date	93,799			93,799
Differences between projected and actual investment earnings on pensions	333,820			333,820
Differences due to changes in actuarial assumptions on pensions	12,133			12,133
Total deferred outflows of resources	439,752			439,752
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	260,240	48,048	67,238	375,526
Compensated absences	27,378			27,378
Claims payable		158,922	371,358	530,280
Total current liabilities	287,618	206,970	438,596	933,184
Noncurrent liabilities:				
Compensated absences	82,420			82,420
Claims payable		186,560		186,560
Net pension liability	959,869			959,869
Other post employment benefits obligation	37,331			37,331
Total noncurrent liabilities	1,079,620	186,560		1,266,180
Total liabilities	1,367,238	393,530	438,596	2,199,364
DEFERRED INFLOWS OF RESOURCES				
Differences between expected and actual economic experience on pensions	74,264			74,264
NET POSITION				
Net investment in capital assets	387,907			387,907
Unrestricted	93,497	480,473	662,212	1,236,182
Total net position	$ 481,404	$ 480,473	$ 662,212	$ 1,624,089

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Fleet & Facilities Management	Workers' Compensation	Health Claims	Total
Operating revenues				
Charges for services	$ 4,600,712	$	$	$ 4,600,712
Contributions and miscellaneous	2,913	390,768	3,863,194	4,256,875
Total operating revenues	4,603,625	390,768	3,863,194	8,857,587
Operating expenses				
Personal services	936,102			936,102
Materials and supplies	1,427,151			1,427,151
Maintenance and utilities	1,908,498	3,000		1,911,498
Insurance claims and expenses		282,238	3,747,774	4,030,012
Depreciation	35,469			35,469
Total operating expenses	4,307,220	285,238	3,747,774	8,340,232
Operating income	296,405	105,530	115,420	517,355
Transfers out	(541,292)		(590,800)	(1,132,092)
Change in net position	(244,887)	105,530	(475,380)	(614,737)
Net position--beginning	726,291	374,943	1,137,592	2,238,826
Net position--ending	$ 481,404	$ 480,473	$ 662,212	$ 1,624,089

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Fleet & Facilities Management	Workers' Compensation	Health Claims	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	$ 4,603,625	$ 396,352	$ 3,849,846	$ 8,849,823
Payments to suppliers	(3,205,396)	(3,000)		(3,208,396)
Payments to employees	(932,825)			(932,825)
Payments for claims		(340,158)	(3,582,649)	(3,922,807)
Net cash provided by operating activities	465,404	53,194	267,197	785,795
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer out to other funds	(541,292)		(590,800)	(1,132,092)
Net cash used for noncapital financing activities	(541,292)		(590,800)	(1,132,092)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the sale of assets	265,852			265,852
Net cash provided by capital and related financing activities	265,852			265,852
Net increase in cash and cash equivalents	189,964	53,194	(323,603)	(80,445)
Cash and cash equivalents - beginning of year	869,607	771,809	1,410,307	3,051,723
Cash and cash equivalents - end of year	$ 1,059,571	$ 825,003	$ 1,086,704	$ 2,971,278
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 296,405	$ 105,530	$ 115,420	$ 517,355
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	35,469			35,469
Changes in assets and liabilities:				
(Increase) decrease in receivables		2,584	(13,348)	(10,764)
Decrease in inventories	33,266			33,266
Decrease in deposits		3,000		3,000
(Increase) decrease in prepaid items	(3,829)		13,659	9,830
Decrease in deferred inflow of resources	(9,811)			(9,811)
Increase (decrease) in accrued liabilities	102,329	(9,256)	56,576	149,649
Increase (decrease) in claims payable		(48,664)	94,890	46,226
Increase in net pension liability	332,577			332,577
Increase in OPEB liability	6,647			6,647
Decrease in accrued compensated absences	(36,153)			(36,153)
Increase in deferred outflows of resources	(291,496)			(291,496)
Net cash provided by operating activities	$ 465,404	$ 53,194	$ 267,197	$ 785,795

Statistical Section

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STATISTICAL SECTION
(Unaudited)

The City of Farmers Branch's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

		Page
Financial Trends	These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	78 – 85
Revenue Capacity	These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	86 – 93
Debt Capacity	These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	94 – 96
Demographic & Economic Indicators	These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	97 – 98
Operating Information	These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	99 – 104
Other Information	This schedule offers additional analysis regarding rapidly growing expenses or areas of financial concern that are of interest to the users of the financial statements.	105

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF FARMERS BRANCH, TEXAS

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(UNAUDITED)

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental activities:					
Net investment in capital assets	$ 99,715,472	$ 103,125,530	$ 101,952,256	$ 104,287,452	$ 102,606,658
Restricted	4,189,986	4,597,310	6,735,813	3,481,483	3,717,854
Unrestricted	15,941,239	8,317,303	(3,195,423)	(11,074,138)	(11,993,823)
Total governmental activities net position	$ 119,846,697	$ 116,040,143	$ 105,492,646	$ 96,694,797	$ 94,330,689
Business-type activities:					
Net investment in capital assets	$ 43,151,947	$ 44,301,036	$ 43,477,996	$ 42,116,214	$ 40,934,305
Unrestricted	17,158,640	17,149,733	16,882,766	15,985,128	15,810,965
Total business-type activities net position	$ 60,310,587	$ 61,450,769	$ 60,360,762	$ 58,101,342	$ 56,745,270
Primary government:					
Net investment in capital assets	$ 142,867,419	$ 147,426,566	$ 145,430,252	$ 146,403,666	$ 143,540,963
Restricted	4,189,986	4,597,310	6,735,813	3,481,483	3,717,854
Unrestricted	33,099,879	25,467,036	13,687,343	4,910,990	3,817,142
Total primary government net position	$ 180,157,284	$ 177,490,912	$ 165,853,408	$ 154,796,139	$ 151,075,959

Notes:

(1) The fiscal year 2007 through 2009 governmental activities net investment in capital assets and unrestricted net position have been restated with the retroactive application of GASB Statement 51 to include intangible assets.

(2) The fiscal year 2010 governmental activities were restated with implementation of GASB Statement 61 and inclusion of the Farmers Branch Local Government Corporation as a blended component unit instead of as a discretely presented component unit.

(3) The fiscal year 2011 governmental activities were restated with implementation of GASB Statement 65 and elimination of deferred charges for issuance costs.

(4) The fiscal year 2015 governmental activities were restated with implementation of GASB Statements 68 & 71 to record a beginning net pension liability and deferred outflow of resources for contributions made between the measurement date and fiscal year end.

Fiscal Year				
2012	2013	2014	2015	2016
$ 101,949,868	$ 100,736,048	$ 97,650,889	$ 98,590,058	$ 98,496,787
3,451,946	3,593,339	4,792,147	6,147,754	7,152,723
(14,520,916)	(16,136,740)	(16,653,141)	(31,206,669)	(32,114,251)
$ 90,880,898	$ 88,192,647	$ 85,789,895	$ 73,531,143	$ 73,535,259
$ 40,608,870	$ 40,637,368	$ 40,410,276	$ 42,443,950	$ 41,529,619
15,129,064	13,945,376	11,487,795	9,076,311	10,471,923
$ 55,737,934	$ 54,582,744	$ 51,898,071	$ 51,520,261	$ 52,001,542
$ 142,558,738	$ 141,373,416	$ 138,061,165	$ 141,034,008	$ 140,026,406
3,451,946	3,593,339	4,792,147	6,147,754	7,152,723
608,148	(2,191,364)	(5,165,346)	(22,130,358)	(21,642,328)
$ 146,618,832	$ 142,775,391	$ 137,687,966	$ 125,051,404	$ 125,536,801

CITY OF FARMERS BRANCH, TEXAS

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(UNAUDITED)

	Fiscal Year				
	2007	2008	2009	2010	2011
Expenses					
Governmental activities:					
General government	$ 12,193,622	$ 12,551,044	$ 11,451,648	$ 16,076,317	$ 11,808,807
Public safety	18,387,710	20,503,576	21,375,045	22,032,570	22,439,143
Public works	10,370,758	11,198,781	16,056,692	9,739,019	8,562,557
Culture and recreation	11,553,232	12,329,063	12,838,761	13,335,886	12,824,261
Interest on long-term debt	1,386,599	1,696,424	1,662,921	1,925,378	1,821,645
Unallocated depreciation	137,656	132,412	32,530	129,904	126,464
Total governmental activities expenses	54,029,577	58,411,300	63,417,597	63,239,074	57,582,877
Business-type activities:					
Water and sewer	11,337,031	11,653,500	12,202,196	12,889,881	11,937,355
Public improvement district					
Total business-type activities expenses	11,337,031	11,653,500	12,202,196	12,889,881	11,937,355
Total primary government expenses	$ 65,366,608	$ 70,064,800	$ 75,619,793	$ 76,128,955	$ 69,520,232
Program Revenues					
Governmental activities:					
Charges for services					
Public safety	$ 4,035,373	$ 3,974,945	$ 3,840,336	$ 4,264,166	$ 4,241,073
Public works	3,420,085	2,914,097	2,202,169	2,753,067	2,726,198
Other	1,883,712	1,896,556	1,493,047	1,519,291	2,109,977
Operating grants and contributions	182,355	309,283	134,927	245,328	151,228
Capital grants and contributions	1,044,978	1,552,729	292,271	1,460,179	720,581
Total governmental activities program revenues	10,566,503	10,647,610	7,962,750	10,242,031	9,949,057
Business-type activities:					
Charges for services	12,116,611	13,541,391	14,188,751	13,368,650	14,737,572
Capital grants and contributions	98,906				
Total business-type activities program revenues	12,215,517	13,541,391	14,188,751	13,368,650	14,737,572
Total primary government program revenues	$ 22,782,020	$ 24,189,001	$ 22,151,501	$ 23,610,681	$ 24,686,629
Net (Expense)/Revenue					
Governmental activities	$ (43,463,074)	$ (47,763,690)	$ (55,454,847)	$ (52,997,043)	$ (47,633,820)
Business-type activities	878,486	1,887,891	1,986,555	478,769	2,800,217
Total primary government net expense	$ (42,584,588)	$ (45,875,799)	$ (53,468,292)	$ (52,518,274)	$ (44,833,603)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes, levied for general purposes	$ 14,413,089	$ 16,646,283	$ 17,087,985	$ 18,311,639	$ 18,109,178
Property taxes, levied for debt service	3,247,023	2,139,338	2,147,917	2,731,178	1,474,045
Sales and use taxes	12,367,492	12,458,643	11,912,047	10,890,296	11,988,696
Other taxes	7,873,881	8,281,023	8,332,827	7,649,667	8,050,487
Investment income	3,487,671	3,010,414	2,039,487	1,777,261	1,379,360
Gain on sale/retirement of capital assets	212,352	222,568	36,787	20,953	56,546
Transfers	2,897,390	1,198,867	3,350,300	2,818,200	4,211,400
Total governmental activities	44,498,898	43,957,136	44,907,350	44,199,194	45,269,712
Business-type activities:					
Investment income	760,195	428,409	248,022	62,486	55,111
Gain on sale/retirement of capital assets	(49,100)	22,749	25,716	17,525	
Transfers	(2,897,390)	(1,198,867)	(3,350,300)	(2,818,200)	(4,211,400)
Total business-type activities	(2,186,295)	(747,709)	(3,076,562)	(2,738,189)	(4,156,289)
Total primary government	$ 42,312,603	$ 43,209,427	$ 41,830,788	$ 41,461,005	$ 41,113,423
Change in Net Position					
Governmental activities	$ 1,035,824	$ (3,806,554)	$ (10,547,497)	$ (8,797,849)	$ (2,364,108)
Business-type activities	(1,307,809)	1,140,182	(1,090,007)	(2,259,420)	(1,356,072)
Total primary government	$ (271,985)	$ (2,666,372)	$ (11,637,504)	$ (11,057,269)	$ (3,720,180)

Notes:

(1) The fiscal year 2007 through 2009 governmental activities net investment in capital assets and unrestricted net position have been restated with the retroactive application of GASB Statement 51 to include intangible assets.

(2) The fiscal year 2010 governmental activities were restated with implementation of GASB Statement 61 and inclusion of the Farmers Branch Local Government Corporation as a blended component unit instead of as a discretely presented component unit.

(3) The fiscal year 2011 governmental activities were restated with implementation of GASB Statement 65 and elimination of deferred charges for issuance costs.

(4) The fiscal year 2015 governmental activities were restated with implementation of GASB 68 & 71 to record a beginning net pension liaibilty and deferred outflow of resources for contributions made between the measurement date and fiscal year end.

Fiscal Year				
2012	2013	2014	2015	2016
$ 11,884,776	$ 10,914,452	$ 13,133,503	$ 12,623,901	$ 14,578,536
21,414,818	22,772,965	22,147,916	22,025,873	25,223,791
8,509,565	8,875,224	11,683,321	9,414,374	9,262,380
12,866,193	12,739,313	11,820,723	12,588,417	14,084,036
1,775,374	1,887,714	2,141,082	2,344,088	2,359,900
605,266	126,464	126,464	126,464	273,962
57,055,992	57,316,132	61,053,009	59,123,117	65,782,605
11,712,523	12,249,982	12,393,782	13,095,850	15,187,138
			570,356	274,895
11,712,523	12,249,982	12,393,782	13,666,206	15,462,033
$ 68,768,515	$ 69,566,114	$ 73,446,791	$ 72,789,323	$ 81,244,638
$ 3,989,457	$ 4,283,496	$ 4,379,539	$ 4,441,054	$ 4,694,946
2,308,598	2,254,323	2,279,435	2,287,633	2,481,706
2,356,793	2,386,019	2,081,908	3,346,842	2,952,599
310,341	781,993	552,131	335,647	349,473
709,138	303,998	98,600	401,271	253,844
9,674,327	10,009,829	9,391,613	10,812,447	10,732,568
14,059,819	14,194,339	14,576,404	17,746,563	20,083,136
		290,890	3,800	
14,059,819	14,194,339	14,867,294	17,750,363	20,083,136
$ 23,734,146	$ 24,204,168	$ 24,258,907	$ 28,562,810	$ 30,815,704
$ (47,381,665)	$ (47,306,303)	$ (51,661,396)	$ (48,310,670)	$ (55,050,037)
2,347,296	1,944,357	2,473,512	4,084,157	4,621,103
$ (45,034,369)	$ (45,361,946)	$ (49,187,884)	$ (44,226,513)	$ (50,428,934)
$ 17,284,378	$ 17,707,657	$ 18,886,710	$ 20,727,595	$ 22,191,443
1,506,258	1,284,446	2,075,008	3,903,953	3,926,612
12,750,809	13,689,917	13,430,485	13,363,544	13,639,841
7,123,827	7,471,449	7,724,433	8,508,637	9,457,598
1,341,782	1,386,221	1,872,535	1,591,991	1,664,659
536,320	4,862	36,873	124,938	
3,388,500	3,073,500	5,232,600	3,469,420	4,174,000
43,931,874	44,618,052	49,258,644	51,690,078	55,054,153
33,868	20,563	17,915	21,560	34,178
	(46,610)	56,500		
(3,388,500)	(3,073,500)	(5,232,600)	(3,469,420)	(4,174,000)
(3,354,632)	(3,099,547)	(5,158,185)	(3,447,860)	(4,139,822)
$ 40,577,242	$ 41,518,505	$ 44,100,459	$ 48,242,218	$ 50,914,331
$ (3,449,791)	$ (2,688,251)	$ (2,402,752)	$ 3,379,408	$ 4,116
(1,007,336)	(1,155,190)	(2,684,673)	636,297	481,281
$ (4,457,127)	$ (3,843,441)	$ (5,087,425)	$ 4,015,705	$ 485,397

CITY OF FARMERS BRANCH, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(UNAUDITED)

	Fiscal Year					
	2007	2008	2009	2010	2011	2012
General Fund						
Nonspendable	$ 30,163	$ 20,853	$ 17,375	$ 7,567	$ 50,752	$ 68,355
Committed	784,232	65,100	40,277			
Assigned	2,497,634	2,321,595	1,100,824	394,086	2,314,053	2,901,641
Unassigned	8,632,983	6,633,937	7,670,573	8,226,571	9,280,794	8,629,830
Total general fund	$ 11,945,012	$ 9,041,485	$ 8,829,049	$ 8,628,224	$ 11,645,599	$ 11,599,826
All Other Governmental Funds						
Nonspendable	$ 204,107	$ 204,406	$ 333,931	$ 205,312	$ 212,669	$ 5,518
Restricted	15,707,905	22,688,373	15,832,658	20,614,884	16,893,106	13,893,159
Assigned	10,572,323	6,370,872	2,336,975	2,487,727	1,953,244	538,109
Unassigned	(35,459)			(130,728)	(77,942)	
Total all other governmental funds	$ 26,448,876	$ 29,263,651	$ 18,503,564	$ 23,177,195	$ 18,981,077	$ 14,436,786

Notes:
(1) Fiscal years 2007 through 2008 have been reclassified with implementation of GASB Statement 54 in fiscal year 2009.
(2) Fiscal year 2010 was restated with implementation of GASB Statement 61 in fiscal year 2011.

TABLE 3

Fiscal Year			
2013	2014	2015	2016
$ 53,954	$ 69,257	$ 132,756	$ 448,649
3,011,161	3,731,449	4,676,363	4,182,793
8,942,763	7,538,450	7,907,059	8,257,163
$ 12,007,878	$ 11,339,156	$ 12,716,178	$ 12,888,605
$ 5,625	$ 5,703	$ 5,647	$ 1,178,410
22,579,131	33,062,581	22,883,726	19,182,416
442,101	510,988	990,659	1,842,960
$ 23,026,857	$ 33,579,272	$ 23,880,032	$ 22,203,786

CITY OF FARMERS BRANCH, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(UNAUDITED)

	Fiscal Year					
	2007	2008	2009	2010	2011	2012
REVENUES						
Property taxes	$ 17,521,813	$ 18,749,053	$ 19,256,366	$ 21,260,191	$ 19,638,998	$ 18,743,734
Sales and use taxes	12,367,492	12,458,643	11,912,047	10,890,296	11,988,696	12,750,809
Hotel/motel taxes	2,487,792	2,507,434	1,974,308	1,821,619	2,017,819	1,932,530
Franchise taxes	4,649,499	4,550,441	4,338,892	4,217,372	4,628,888	4,224,443
Tax increment financing	483,258	1,511,538	2,097,654	931,118	1,879,338	868,477
Licenses and permits	847,741	769,575	485,241	559,979	886,511	1,012,913
Charges for services	5,575,733	5,042,920	4,360,812	4,803,469	4,780,573	4,624,287
Fines and forfeitures	2,788,819	2,735,027	2,576,170	3,052,061	3,114,924	2,855,363
Special assessments		107,543	587,540	443,793	14,096	42,676
Investment income	3,134,483	2,969,571	2,020,987	1,402,261	1,381,715	1,320,647
Intergovernmental	1,128,092	502,891	321,647	1,522,035	775,339	691,339
Miscellaneous	216,380	462,585	133,998	277,556	339,621	438,008
Total revenues	51,201,102	52,367,221	50,065,662	51,181,750	51,446,518	49,505,226
EXPENDITURES						
General government	9,908,182	12,199,482	9,938,068	10,171,986	9,710,233	11,405,984
Public safety	17,049,311	19,651,803	20,486,227	20,359,951	20,706,962	21,217,452
Public works	7,181,345	7,711,943	7,001,379	7,041,562	6,424,763	6,132,641
Culture and recreation	10,762,858	11,421,188	11,614,329	12,160,356	11,875,903	11,951,546
Debt service:						
Principal retirement	3,565,000	2,410,000	3,577,937	4,315,000	3,600,000	3,720,000
Interest and fiscal agent charges	747,375	827,386	789,523	962,417	1,212,169	773,819
Issuance costs	6,000	48,923		249,042	5,553	108,637
Loss due to decline in market value				4,827,791	292,511	134,227
Capital outlay	8,260,060	9,031,200	11,078,507	4,756,442	3,499,651	3,712,822
Total expenditures	57,480,131	63,301,925	64,485,970	64,844,547	57,327,745	59,157,128
Deficiency of revenues under expenditures	(6,279,029)	(10,934,704)	(14,420,308)	(13,662,797)	(5,881,227)	(9,651,902)
OTHER FINANCING SOURCES (USES)						
Transfers in	10,676,789	4,147,842	6,408,490	6,044,968	8,547,367	5,007,593
Transfers out	(6,040,076)	(1,507,642)	(3,058,190)	(3,226,768)	(4,335,967)	(1,619,093)
Proceeds from developer advances	2,937,952					
Certificates of obligation issued		7,750,000		10,000,000		
General obligation refunding and improvement bonds issued				7,160,000		7,035,000
Premiums on debt issued				142,956		19,057
Payment to refunded bond escrow agent	(917,004)			(2,073,612)		(6,950,250)
Sale of capital assets/insurance recoveries	313,919	455,752	97,485	88,059	491,084	1,569,531
Total other financing sources	6,971,580	10,845,952	3,447,785	18,135,603	4,702,484	5,061,838
Net change in fund balances	692,551	(88,752)	(10,972,523)	4,472,806	(1,178,743)	(4,590,064)
Debt service as a percentage of noncapital expenditures	8.38%	5.98%	7.38%	8.87%	8.85%	8.28%

(1) Fiscal year 2010 was restated with implementation of GASB Statement 61 in fiscal year 2011

TABLE 4

Fiscal Year			
2013	2014	2015	2016
$ 19,200,726	$ 21,083,842	$ 24,536,084	$ 26,330,398
13,689,917	13,430,485	13,363,544	13,639,841
2,253,459	2,396,399	2,728,631	2,959,667
4,419,509	4,495,241	4,411,259	4,309,598
910,899	1,007,993	1,289,826	2,236,280
1,015,017	930,443	1,680,095	1,427,801
4,539,757	4,522,186	5,001,160	5,407,761
3,070,412	3,090,300	3,034,885	3,125,094
9,806	7,585	4,496	1,152
1,342,026	1,360,409	1,591,991	1,651,645
569,703	569,418	584,312	503,153
640,342	171,238	279,221	194,356
51,661,573	53,065,539	58,505,504	61,786,746
11,098,357	12,996,563	12,880,704	13,447,135
22,389,057	22,655,239	23,117,436	24,353,622
6,286,480	7,204,534	7,145,553	7,378,781
12,111,397	11,092,198	11,746,205	12,923,543
2,000,000	2,596,859	3,450,000	3,930,000
752,555	997,079	1,531,742	1,437,739
182,333	223,842		96,628
1,862,907	7,496,911	11,716,646	7,269,438
56,683,086	65,263,225	71,588,286	70,836,886
(5,021,513)	(12,197,686)	(13,082,782)	(9,050,140)
4,837,912	8,517,400	6,528,075	7,860,588
(1,764,412)	(3,284,800)	(2,477,275)	(3,095,788)
			2,545,000
9,500,000	15,810,000		
648,755	924,244		149,083
797,381	114,535	709,764	87,438
14,019,636	22,081,379	4,760,564	7,546,321
8,998,123	9,883,693	(8,322,218)	(1,503,819)
5.19%	6.09%	8.29%	8.65%

CITY OF FARMERS BRANCH, TEXAS

ESTIMATED ACTUAL AND ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

	RESIDENTIAL PROPERTY			COMMERCIAL PROPERTY		
FISCAL YEAR	ESTIMATED ACTUAL VALUE	LESS: TAX EXEMPTIONS	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	LESS: TAX EXEMPTIONS	ASSESSED VALUE
2007	$ 1,154,512,990	$ 328,858,113	$ 825,654,877	$ 2,230,116,920	$ 461,723,606	$ 1,768,393,314
2008	1,192,986,700	336,268,242	856,718,458	2,594,828,250	591,244,468	2,003,583,782
2009	1,230,445,290	336,926,429	893,518,861	2,649,217,110	543,942,277	2,105,274,833
2010	1,231,622,730	340,746,718	890,876,012	2,601,976,410	493,392,278	2,108,584,132
2011	1,202,295,560	352,180,154	850,115,406	2,506,603,830	527,024,423	1,979,579,407
2012	1,168,520,280	346,341,819	822,178,461	2,404,857,560	479,255,392	1,925,602,168
2013	1,161,499,680	341,105,378	820,394,302	2,426,759,830	480,107,916	1,946,651,914
2014	1,172,509,100	339,997,399	832,511,701	2,500,245,200	425,834,837	2,074,410,363
2015	1,219,899,590	348,502,483	871,397,107	2,811,101,750	491,719,476	2,319,382,274
2016	1,282,165,920	358,024,345	924,141,575	3,043,315,820	498,804,477	2,544,511,343

Source: Dallas Central Appraisal District

Note: Property in the city is reassessed at least every three years. Property is assessed at actual value; therefore, the assessed values are equal to actual value less exemptions. Tax rates are per $100 of assessed value.

BUSINESS-PERSONAL PROPERTY			TOTAL			
ESTIMATED ACTUAL VALUE	LESS: TAX EXEMPTIONS	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	LESS: TAX EXEMPTIONS	ASSESSED VALUE	TOTAL DIRECT TAX RATE
$ 1,009,905,870	$ 98,298,591	$ 911,607,279	$ 4,394,535,780	$ 888,880,310	$ 3,505,655,470	$ 0.4945
1,096,945,970	137,850,233	959,095,737	4,884,760,920	1,065,362,943	3,819,397,977	0.4945
1,213,451,110	192,437,313	1,021,013,797	5,093,113,510	1,073,306,019	4,019,807,491	0.4945
1,536,661,570	407,846,378	1,128,815,192	5,370,260,710	1,241,985,374	4,128,275,336	0.5195
1,229,699,030	289,896,502	939,802,528	4,938,598,420	1,169,101,079	3,769,497,341	0.5295
1,066,425,480	182,416,255	884,009,225	4,639,803,320	1,008,013,466	3,631,789,854	0.5295
1,101,684,660	180,498,255	921,186,405	4,689,944,170	1,001,711,549	3,688,232,621	0.5295
1,151,040,340	212,570,787	938,469,553	4,823,794,640	978,403,023	3,845,391,617	0.5531
1,275,747,640	250,286,356	1,025,461,284	5,306,748,980	1,090,508,315	4,216,240,665	0.6023
1,454,961,470	384,016,188	1,070,945,282	5,780,443,210	1,240,845,010	4,539,598,200	0.6023

CITY OF FARMERS BRANCH, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES
(PER $100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
(UNAUDITED)

	CITY DIRECT RATES			OVERLAPPING RATES (1)				
FISCAL YEAR	BASIC RATE	GENERAL OBLIGATION DEBT SERVICE	TOTAL DIRECT (2)	CARROLLTON - FARMERS BRANCH I.S.D.	DALLAS I.S.D.	DALLAS COUNTY	DALLAS COUNTY HOSPITAL	DALLAS COUNTY COMMUNITY COLLEGE
2007	$ 0.4041	$ 0.0904	$ 0.4945	$ 1.6830	$ 1.5026	$ 0.2189	$ 0.2540	$ 0.0810
2008	0.4386	0.0559	0.4945	1.3670	1.1996	0.2328	0.2540	0.0804
2009	0.4423	0.0522	0.4945	1.3623	1.1834	0.2330	0.2540	0.0894
2010	0.4516	0.0679	0.5195	1.3422	1.2713	0.2333	0.2740	0.0949
2011	0.4892	0.0403	0.5295	1.3469	1.2378	0.2531	0.2710	0.0992
2012	0.4873	0.0422	0.5295	1.3568	1.2903	0.2531	0.2710	0.0997
2013	0.4935	0.0360	0.5295	1.3306	1.2903	0.2530	0.2710	0.1194
2014	0.4987	0.0544	0.5531	1.3235	1.2821	0.2531	0.2760	0.1247
2015	0.5076	0.0947	0.6023	1.3033	1.2821	0.2531	0.2860	0.1248
2016	0.5139	0.0884	0.6023	1.2817	1.2821	0.2531	0.2860	0.1237

Source: Dallas Central Appraisal District

Notes:

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Farmers Branch. Not all overlapping rates apply to all city property owners; for example, although the county property tax rates apply to all city property owners, the Dallas Independent School District (ISD) rates apply only to the approximately 29.3% of city property owners whose property is located within that district's geographic boundaries.

(2) The City's basic property tax rate may be increased only by a majority vote of the City Council up to the limits of State law, after which the city's residents may petition for a vote. Rates for debt service are set based on each year's requirements.

(3) Does not include Dallas ISD as school districts do not overlap each other.

TABLE 6

TOTAL (3)
$ 2.7314
2.4287
2.4332
2.4639
2.4997
2.5101
2.5035
2.5304
2.5694
2.5467

CITY OF FARMERS BRANCH, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX LEVIES
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	FARMERS BRANCH	CARROLLTON-FARMERS BRANCH I.S.D.	DALLAS I.S.D.	DALLAS COUNTY
2007	$ 17,335,466	$ 226,256,714	$ 1,031,420,904	$ 320,339,291
2008	18,886,923	202,971,244	920,814,173	375,408,115
2009	19,877,948	207,688,213	972,477,527	397,456,902
2010	21,446,390	200,119,142	1,012,347,453	385,705,977
2011	19,959,488	190,357,561	940,562,436	400,352,271
2012	19,230,327	188,452,360	963,386,876	393,607,404
2013	19,529,192	188,954,940	984,164,209	398,969,141
2014	21,268,861	198,050,007	1,026,191,861	415,485,244
2015	25,393,026	209,568,728	1,097,894,981	443,108,658
2016	27,340,502	218,265,231	1,185,157,319	476,309,394

Source: The Dallas Central Appraisal District provided information for fiscal years 2007 through 2008. Beginning in 2009, the Carrollton-Farmers Branch I.S.D. began reporting their own values since the district spans multiple counties and appraisal districts began reporting only their portion of an entity's value if the entity overlaps jurisdictions.

TABLE 7

DALLAS COUNTY HOSPITAL	DALLAS COUNTY COMMUNITY COLLEGE
$ 371,647,072	$ 122,966,354
409,570,134	135,032,794
433,279,198	158,692,823
453,330,805	163,641,621
428,980,078	162,905,820
421,898,213	161,373,615
427,773,967	196,713,575
453,602,530	214,160,553
501,250,455	228,116,786
540,475,266	243,935,893

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

	2016			2007		
TAXPAYER	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE (a)	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE (b)
70 Washington Street LP	$ 124,235,000	1	2.74%	$		
Occidental Chemical Corporation	85,998,250	2	1.89%	63,680,980	5	1.82%
Glazers Wholesale Drug Co.	74,953,180	3	1.65%	40,851,720	8	1.17%
EOS Properties at Providence Towers	74,750,000	4	1.65%	77,061,010	3	2.20%
Garden Centura LP	72,925,000	5	1.61%			
Maxim Integrated Products	62,866,849	6	1.38%			
AT&T Communications (formerly Southwestern Bell/Cingular)	57,292,810	7	1.26%	90,993,790	1	2.60%
Lakeview at Parkside	53,972,000	8	1.19%			
TP IP Tower III Corporation	51,275,000	9	1.13%			
IBM Corporation	49,046,880	10	1.08%			
Prentiss Properties				84,180,030	2	2.40%
Dallas Semiconductor				72,256,375	4	2.06%
Quebecor Printing				51,422,550	6	1.47%
Daltex Centre LP				42,177,340	7	1.20%
Tuesday Morning PS Ltd				33,740,017	9	0.96%
Castle Dallas LLP				30,879,130	10	0.88%
	$ 707,314,969		15.58%	$ 587,242,942		16.76%

Source: Dallas County, "City Report of Property Value," City of Farmers Branch

Notes:
(a) Total taxable value October 1, 2015 (2016 fiscal year) is $4,539,598,200.
(b) Total taxable value October 1, 2006 (2007 fiscal year) is $3,505,655,470.

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	ACTUAL LEVY YEAR	ORIGINAL LEVY (1)	SUBSEQUENT ADJUSTMENTS	TOTAL LEVY	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS/ (REFUNDS) IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
					CURRENT TAX COLLECTIONS	PERCENT OF TOTAL LEVY COLLECTED		TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS TO TOTAL LEVY
2007	2006	$ 17,335,466	$ (13,794)	$ 17,321,672	$ 17,306,192	99.91%	$ 8,629	$ 17,314,821	99.96%
2008	2007	18,886,923	(308,440)	18,578,483	18,569,133	99.95%	3,857	18,572,990	99.97%
2009	2008	19,877,948	(471,431)	19,406,517	19,273,031	99.31%	121,806	19,394,837	99.94%
2010	2009	21,446,390	(176,487)	21,269,903	21,238,074	99.85%	20,293	21,258,367	99.95%
2011	2010	19,959,488	(457,619)	19,501,869	19,488,243	99.93%	39	19,488,282	99.93%
2012	2011	19,230,327	(244,635)	18,985,692	18,901,401	99.56%	23,285	18,924,686	99.68%
2013	2012	19,529,192	(368,902)	19,160,290	19,081,323	99.59%	43,553	19,124,876	99.82%
2014	2013	21,268,861	(233,150)	21,035,711	21,112,294	100.36%	(118,047)	20,994,247	99.80%
2015	2014	25,393,026	(493,340)	24,899,686	24,917,704	100.07%	(98,105)	24,819,599	99.68%
2016	2015	27,340,502		27,340,502	26,719,748	97.73%		26,719,748	97.73%

Source: Dallas County Tax Office

Notes:
(1) The original levy is as of July of the previous fiscal year and does not include any subsequent adjustments.

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	GENERAL OBLIGATION BONDS	SPECIAL REVENUE BONDS	DEVELOPER ADVANCES	ASSESSMENT REVENUE BONDS	TOTAL OUTSTANDING DEBT	TAXABLE ASSESSED VALUE	PERCENTAGE OF TAXABLE ASSESSED VALUE	ESTIMATED POPULATION (1)	DEBT PER CAPITA
Governmental Activities:									
2007	$ 1,440,000	$ 10,430,000	$ 11,601,824		$ 23,471,824	$ 3,505,655,470	0.67%	28,500	$ 824
2008	7,290,000	9,920,000	11,601,824		28,811,824	3,819,397,977	0.75%	28,750	1,002
2009	5,380,000	9,385,000	10,468,887		25,233,887	4,019,807,491	0.63%	31,100	811
2010	18,530,000	8,850,000	8,668,887		36,048,887	4,128,275,336	0.87%	28,616	1,260
2011	16,080,000	8,250,000	8,118,887		32,448,887	3,769,497,341	0.86%	28,600	1,135
2012	13,595,160	7,693,841	7,868,887		29,157,888	3,631,789,854	0.80%	28,620	1,019
2013	23,002,208	6,813,073	7,468,887		37,284,168	3,688,232,621	1.01%	28,800	1,295
2014	38,425,679	5,939,997	7,007,028		51,372,704	3,845,391,617	1.34%	29,660	1,732
2015	35,754,489	5,513,644	6,557,028		47,825,161	4,216,240,665	1.13%	30,350	1,576
2016	35,684,897	5,077,291	5,727,028		46,489,216	4,539,598,200	1.02%	30,480	1,525

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Population based on North Central Texas Council of Governments (NCTCOG) original population estimates with the exception of 2010, which is based on the 2010 U.S. Census.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	GENERAL OBLIGATION BONDS	SPECIAL REVENUE BONDS	LESS: AMOUNTS AVAILABLE IN DEBT SERVICE FUND	TOTAL	TAXABLE ASSESSED VALUE	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	ESTIMATED POPULATION (1)	PER CAPITA
2007	$ 1,440,000	$ 10,430,000	$ 229,766	$ 11,640,234	$ 3,505,655,470	0.33%	28,500	$ 408
2008	7,290,000	9,920,000	217,438	16,992,562	3,819,397,977	0.44%	28,750	591
2009	5,380,000	9,385,000	223,766	14,541,234	4,019,807,491	0.36%	31,100	468
2010	18,530,000	8,850,000	571,245	26,808,755	4,128,275,336	0.65%	28,616	937
2011	16,080,000	8,250,000	1,906,300	22,423,700	3,769,497,341	0.59%	28,600	784
2012	13,595,160	7,693,841	221,898	21,067,103	3,631,789,854	0.58%	28,620	736
2013	23,002,208	6,813,073	243,741	29,571,540	3,688,232,621	0.80%	28,800	1,027
2014	38,425,679	5,939,997	258,606	44,107,070	3,845,391,617	1.15%	29,660	1,487
2015	35,754,489	5,513,644	232,113	41,036,020	4,216,240,665	0.97%	30,350	1,352
2016	35,684,897	5,077,291	926,091	39,836,097	4,539,598,200	0.88%	30,480	1,307

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Population based on North Central Texas Council of Governments (NCTCOG) original population estimates with the exception of 2010, which is based on the 2010 U.S. Census.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2016
(UNAUDITED)

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE OVERLAPPING (1)	ESTIMATED SHARE OF OVERLAPPING DEBT
Debt repaid with property taxes			
Carrollton - Farmers Branch Independent School District	$ 244,625,000	17.01%	$ 41,610,713
Dallas Independent School District	3,013,520,000	1.58%	47,613,616
Dallas County Hospital District	718,480,000	2.50%	17,962,000
Dallas County Community College District	294,050,000	2.50%	7,351,250
Dallas County	227,980,000	2.50%	5,699,500
Valwood Improvement Authority	15,032,760	43.30%	6,509,185
Dallas County Schools	50,405,000	2.50%	1,260,125
Subtotal, overlapping debt	4,564,092,760		128,006,389
City direct debt (2)	46,489,216	100.00%	46,489,216
Total direct and overlapping bonded debt	$ 4,610,581,976		$ 174,495,605
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)		3.84%	
Per capita overlapping bonded debt		$ 5,724.92 (3)	

Source: Municipal Advisory Council of Texas

Notes:

(1) The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value by the County and related other County entities certified taxable values. The share of market value for Carrollton/Farmers Branch ISD, Dallas ISD and Valwood Improvement Authority is calculated by the Dallas Central Appraisal District (DCAD) once every two years as these boundaries overlap within the City. (Source: Municipal Advisory Council of Texas)

(2) The City direct debt includes General Obligation Refunding Bonds, Taxable Series 2011, in the amount of $5,077,291, which are being paid from amounts received under the Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P. The City direct debt also includes bond premiums/discounts and developer advances.

(3) Based on North Central Texas Council of Governments (NCTCOG) population estimate.

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	ESTIMATED POPULATION (1)	MEDIAN AGE (2)	PER CAPITA INCOME (2)	PERSONAL INCOME (3)	UNEMPLOYMENT RATE % (4)
2007	28,500	*	$ 24,921	$ 710,248,500	3.8%
2008	28,750	37.1	25,461	732,003,750	5.2%
2009	31,100	38.2	27,153	844,458,300	8.4%
2010	28,616	36.4	29,073	831,952,968	8.0%
2011	28,600	36.2	28,715	821,249,000	7.7%
2012	28,620	37.6	29,623	847,810,260	6.2%
2013	28,800	35.9	27,545	793,296,000	5.8%
2014	29,660	36.8	26,703	792,010,980	5.2%
2015	30,350	36.1	29,573	897,540,550	3.6%
2016	30,480	36.7	30,054	916,045,920	3.9%

Sources/Notes:

(1) Population based on North Central Texas Council of Governments (NCTCOG) original population estimates with the exception of 2010, which is based on the 2010 U.S. Census.

(2) Median Age and Per Capita Income data provided by U.S. Census Bureau's American Community Survey - 5 Year Estimates, with the exception of 2010, which is based on the 2010 U.S. Census. The * indicates that the information was not available.

(3) Personal Income is derived by multiplying per capita income by the estimated population.

(4) Unemployment Rate % provided by Bureau of Labor Statistics.

The following information is provided by the U.S. Census Bureau based on 2010 census information.

Households:	10,797	Male:	14,075
Families:	6,923	Female:	14,541

Racial Breakdown

White	21,017
Black	1,365
American Indian	206
Asian or Pacific Islander	1,261
Other	4,767

Source: U.S. Census Bureau

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

	2016			2007		
EMPLOYER	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
JPMorgan Chase Investment Services	2,390	1	3.05%	2,390	2	3.19%
IBM Corporation	1,870	2	2.39%	2,928	1	3.90%
Federal Government - Internal Revenue Service	1,200	3	1.53%	1,200	4	1.60%
GEICO	1,088	4	1.39%	1,200	5	1.60%
Telvista	1,000	5	1.28%			
TD Industries	900	6	1.15%	811	8	1.08%
Haggar Clothing Company	750	7	0.96%			
Monitronics International Inc.	700	8	0.89%			
Encore Enterprises, Inc.	650	9	0.83%			
Glazer's Wholesale Drug Company	650	9	0.83%			
Dallas Semiconductor				1,352	3	1.80%
Cingular Wireless				830	7	1.11%
Celanese				700	10	0.93%
Tuesday Morning				1,000	6	1.33%
Essilor Laboratories				751	9	1.00%
	11,198		14.30%	13,162		17.54%

Sources:

North Central Texas Council of Governments (NCTCOG) provides total employment estimates, which have a three-year lag. For 2016 estimated total employment is 78,393 and for 2007 estimated total employment was 75,013. (See NCTCOG 2030 Demographic Forecast and Demographic Data for Farmers Branch for further information.)

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

	Full-time Equivalent Employees as of September 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function/Program										
General government	77.09	77.26	66.16	65.74	62.85	62.85	66.01	65.65	72.14	73.60
General administration	6.50	7.00	6.35	7.00	6.00	6.00	6.00	5.00	5.00	5.00
Communications	4.22	5.22	4.22	4.22	2.00	2.00	2.00	2.00	2.00	2.00
Economic development	3.00	2.00	1.00	1.00	1.00	2.50	2.74	3.24	3.00	3.00
Human resources	7.39	7.64	6.67	6.00	6.00	5.00	6.00	7.00	7.00	7.47
Finance	29.00	28.48	25.00	25.00	24.00	24.00	25.18	23.48	24.48	28.24
Community services	26.75	26.75	22.75	22.35	23.70	23.20	23.94	24.70	28.00	26.19
Other	0.23	0.17	0.17	0.17	0.15	0.15	0.15	0.23	2.66	1.70
Public safety	185.20	195.50	195.91	196.04	194.76	195.63	195.71	196.84	198.15	199.11
Police	109.96	113.04	113.04	113.04	113.00	115.04	115.04	115.04	116.32	115.85
Fire	72.00	80.09	80.50	80.63	79.67	78.50	78.58	78.60	78.19	79.37
Other	3.24	2.37	2.37	2.37	2.09	2.09	2.09	3.20	3.64	3.89
Public works	56.34	55.24	45.97	44.97	31.62	29.62	29.62	32.01	32.17	35.43
Engineering	18.00	18.00	13.00	13.00	9.00	0.00	0.00	0.00	0.00	0.00
Public works	34.27	34.27	30.00	29.00	20.00	27.00	27.00	28.00	31.00	34.17
Other	4.07	2.97	2.97	2.97	2.62	2.62	2.62	4.01	1.17	1.26
Culture and recreation	133.34	131.73	121.52	109.60	87.21	84.64	86.33	82.99	101.91	103.35
Parks	102.93	101.41	97.31	85.39	84.47	82.47	83.91	80.43	98.86	98.80
Library	26.75	26.75	21.25	21.25	0.00	0.00	0.00	0.00	0.00	0.00
Tourism	1.07	1.68	1.07	1.07	1.07	0.50	0.75	0.00	0.00	0.00
Other	2.59	1.89	1.89	1.89	1.67	1.67	1.67	2.56	3.05	4.55
Water and sewer	27.00	27.00	25.00	26.00	20.75	21.66	21.88	25.88	27.17	27.76
Water and sewer	27.00	27.00	25.00	26.00	20.75	21.66	21.88	25.88	26.46	27.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.71	0.76
Fleet & Facilities	1.46	1.06	1.07	1.07	0.94	0.94	0.94	1.47	0.24	0.31
Fleet & Facilities	1.46	1.06	1.07	1.07	0.94	0.94	0.94	1.47	0.24	0.31
Total	480.43	487.79	455.63	443.42	398.13	395.34	400.49	404.84	431.78	439.56

Source: City of Farmers Branch Finance Department

Notes: Information is reported from mid-year amended budgets.

CITY OF FARMERS BRANCH, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year				
	2007	2008	2009	2010	2011
Public safety					
Police					
Number of full-time employees	107	110	110	110	110
Number of sworn officers	74	74	74	75	75
Number of violations (citations)	20,424	21,284	18,723	20,208	16,068
Fire					
Number of employees	72	80	81	80	79
Number of EMS runs	2,114	2,257	2,206	2,058	2,168
Number of fire runs	1,445	1,193	1,127	1,178	1,482
Public works					
Street reconstruction (lane-miles)	5.0	3.5	0.7	0.0	0.7
Street resurfacing (lane-miles)	11.0	11.0	33.7	0.0	0.0
Culture and recreation					
Parks					
Recreation memberships sold (basic)	1,338	1,359	1,320	1,378	1,571
Recreation memberships sold (fitness)	709	814	819	862	944
Total pool admissions	14,355	13,214	12,620	9,037	10,792
Visits to Historical Park	45,216	50,231	48,348	65,013	78,002
Library					
Volumes borrowed	431,167	416,902	461,525	435,085	247,676
Volumes in library collection	119,347	120,970	148,878	159,754	138,959
Water and sewer					
Average daily water consumption (thousands of gallons)	7,525	8,569	8,106	7,888	8,754
Number of water consumers	9,472	9,441	9,428	9,471	9,472
Total water purchased (thousands of gallons)	2,746,547	3,127,749	2,958,699	2,879,109	3,195,188

Sources: Various City departments.

Fiscal Year				
2012	2013	2014	2015	2016
112	112	112	113	113
74	74	74	74	68
16,537	14,124	15,629	13,332	10,948
78	78	78	78	79
2,234	2,470	2,357	2,589	2,887
1,468	1,552	1,495	1,601	1,823
0.5	0.0	0.0	1.4	1.2
0.0	0.0	2.9	22.0	9.6
1,376	1,286	824	1,347	1,364
966	1,015	813	1,019	1,055
9,457	8,446	0	27,621	22,645
61,288	86,309	60,406	85,799	95,847
360,582	347,092	352,076	343,592	303,513
135,345	131,452	135,173	137,586	136,953
8,354	7,718	7,458	7,743	8,048
9,492	9,572	9,628	9,729	9,770
3,049,124	2,817,138	2,722,003	2,826,124	2,937,377

CITY OF FARMERS BRANCH, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year					
	2007	2008	2009	2010	2011	2012
General government						
Number of general government buildings	1	1	1	1	1	1
Public safety						
Number of police stations	1	1	1	1	1	1
Number of patrol units	15	14	14	16	16	16
Number of fire stations	2	3	3	3	3	3
Public works						
Streets (lane miles)	405	411	411	411	411	411
Number of traffic signals	54	54	54	59	58	58
Landfill capacity (million cubic yards)	24.5	24.5	24.5	24.5	24.5	24.5
Culture and recreation						
Acreage	387	387	392	392	392	392
Number of parks	26	26	31	31	31	31
Number of playgrounds	13	13	13	13	13	13
Number of aquatic centers	1	1	1	1	1	1
Recreation center	1	1	1	1	1	1
Senior center	1	1	1	1	1	1
Library	1	1	1	1	1	1
Historical park	1	1	1	1	1	1
Utilities						
Water mains (miles)	173.4	173.4	173.4	210.0	210.0	203.0
Number of fire hydrants	1,899	2,002	2,002	2,026	2,018	2,085
Storage capacity (millions of gallons)	21.5	21.5	21.5	21.5	21.5	21.5
Sanitary sewers (miles)	140.8	140.8	140.8	158.0	158.0	162.0
Storm sewers (miles)	103	103	103	104	104	104

Sources: Various City departments.

Note:
(1) The City's pool was demolished and construction in 2014 and a new aquatic center was completed in 2015.

TABLE 17

Fiscal Year			
2013	2014 [1]	2015	2016
1	1	1	1
1	1	1	1
15	15	15	15
3	3	3	3
411	411	411.5	412.0
58	55	55	55
24.5	24.5	24.5	24.5
392	392	392	392
31	31	31	31
13	13	13	13
1	0	1	1
1	1	1	1
1	1	1	1
1	1	1	1
1	1	1	1
203.0	206.6	206.6	201.3
2,012	2,012	2,041	2,093
21.5	21.5	21.5	21.5
162.0	165.9	166.0	152.9
104	104	112	112

SCHEDULE OF INSURANCE POLICIES IN FORCE
SEPTEMBER 30, 2016
(UNAUDITED)

POLICY ISSUED BY	AM BEST RATING	POLICY NUMBER	POLICY PERIOD	COVERAGE	DEDUCTIBLES	LIABILITY LIMITS	
Texas Municipal League Intergovernment Risk Pool	A++	04687	10/1/2015 9/30/2016	General Liability	$ 50,000	$ 2,000,000	
				Property	5,000	112,379,412	
				Auto Liability	25,000	1,000,000	
				Auto Physical Damage	2,500	Actual Cash Value	
				Law Enforcement Liability	25,000	1,000,000	
				Errors & Omissions	50,000	1,000,000	
				Mobile Equipment	5,000	1,390,819	
				Boiler & Machinery	5,000	8,000,000	
				Employee Fidelity Bond	2,500	250,000	
				Workers' Compensation	N/A	350,000	*(SIR)
				Animal Mortality (K-9)	0	As scheduled.	
The Hartford Casualty Insurance Company	A+	61BSBDB6431	10/1/2015 9/30/2016	Fidelity Bond for Finance Director	2,500	250,000	
Great American Alliance Insurance Company	A+	9951170	10/1/2015 9/30/2016	Underground Storage Tank	4,000	1,000,000	
American Alternative Insurance Corporation	A+	33A2ES000026601	1/1/2016 12/31/2016	Stop Loss Coverage	125,000	1,000,000	

Source: City of Farmers Branch Risk Manager

Notes: Claims Administrators - Workers' Compensation, TML Claims, 18601 LBJ Freeway, Suite 210, Town East Tower, Mesquite, Texas 75150.
* (SIR) "Self Insured Retention"

TEXAS MUNICIPAL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS AND CONTRIBUTION RATES
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	ACTUARIAL VALUE OF ASSETS [1]	ACTUARIAL ACCRUED LIABILITY [2]	FUNDED RATIO	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	ANNUAL COVERED PAYROLL (ACP)	UAAL AS A PERCENTAGE OF ACP	TOTAL TMRS REQUIRED CONTRIBUTION RATE	CURRENT SERVICE PORTION OF TMRS RATE	PRIOR SERVICE PORTION OF TMRS RATE	SUPPLEMENTAL DEATH PORTION OF TMRS RATE
2007	$ 84,115,347	$ 107,994,963	77.89%	$ 23,879,616	$ 23,389,294	102.10%	14.81%	10.06%	4.50%	0.25%
2008	84,399,127	124,420,441	67.83%	40,021,314	25,255,387	158.47%	15.50%	10.24%	5.00%	0.26%
2009	82,917,572	125,793,750	65.92%	42,876,178	26,427,295	162.24%	20.95%	11.89%	8.88%	0.18%
2010	89,792,751	134,608,501	66.71%	44,815,750	27,175,162	164.91%	22.30%	12.25%	9.90%	0.15%
2011 [3]	158,506,492	190,757,068	83.09%	32,250,576	27,316,388	118.06%	22.48%	12.55%	9.75%	0.18%
2012	167,716,459	198,231,012	84.61%	30,514,553	25,307,120	120.58%	19.26%	12.43%	6.71%	0.12%
2013	176,561,067	204,295,430	86.42%	27,734,363	24,893,319	111.41%	19.93%	12.73%	7.07%	0.13%
2014 [4]	187,181,205	222,656,259	84.07%	35,475,054	24,632,123	144.02%	19.62%	12.93%	6.56%	0.13%
2015	197,669,030	227,880,390	86.74%	30,211,360	25,406,973	118.91%	19.09%	9.57%	9.39%	0.13%
2016	207,096,211	236,830,239	87.45%	29,734,028	25,797,164	115.26%	17.75%	9.52%	8.10%	0.13%

Source: Texas Municipal Retirement System

Notes:

(1) Assets are stated at amortized cost as of December 31 of the preceding year for years 2007-2008. Beginning in 2009, actuarial value of assets is calculated using 10-year smoothing.

(2) As of December 31 of the preceding year, the date of the actuarial valuation. The actuarial accrued liability was calculated using the Unit Credit actuarial funding method for fiscal year 2007, Projected Unit Credit actuarial funding method for fiscal years 2008 to 2013, and Entry Age Normal actuarial funding method for fiscal years 2014 to 2015. Fiscal year 2008 and forward actuarial accrued liability adjusted for plan changes adopted effective January 1, 2009. Fiscal year 2009 and forward actuarial accrued liability adjusted for plan changes adopted effective January 1, 2010.

(3) Fiscal years 2011 and forward include the impact of Senate Bill 350 enacted by the Texas Legislature in June 2011. This legislation provided a restructuring of the Texas Municipal Retirement System funds effective December 31, 2010. Previously reported amounts included only Employee Savings Fund and Municipal Accumulation Fund, but excluded the City's portion of the Current Service Annuity Fund (CSARF) in which costs for all retirees were shared. The legislation eliminated CSARF returning both liabilities and assets for retirees to the respective employer accounts.

(4) Fiscal year 2014 includes an update to the mortality table used to determine the annuity purchase rate.

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Continuing Financial Disclosure Section

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CONTINUING FINANCIAL DISCLOSURE SECTION
(Unaudited)

The Continuing Financial Disclosure Section presents various financial data originally distributed in a debt official statement. The City is required to update financial tables originally distributed in a debt official statement within six months after the end of the fiscal year ending on or after September 30, 1999. The financial tables that follow are updated through September 30, 2016, from the last debt issues that were sold May of 2016. This financial information is also sent to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the Securities and Exchange Commission ("SEC").

VALUATIONS, EXEMPTIONS, AND GENERAL OBLIGATION DEBT
(UNAUDITED)

2016/2017 Market Valuation Established by DCAD		$ 6,049,742,170
Less Exemptions/Reductions at 100% Market Value:		
Totally Exempt Parcels	$ 482,339,365	
Freeport	260,452,907	
Homestead	211,784,033	
Over 65	146,113,201	
Agricultural	62,566,802	
Capped Value Loss	22,902,572	
Disabled Persons	8,013,931	
Veteran 100%	1,686,922	
Disabled Veterans	877,324	
Pollution Control	146,857	
Under 500	47,630	
Mineral Rights	1,400	
Total Exemptions		1,196,932,944
2016/2017 Net Taxable Assessed Valuation		$ 4,852,809,226
City Funded Debt Payable From Ad Valorem Taxes		
Outstanding General Obligation Debt	$ 35,684,897	
Series 2011 General Obligation Refunding Bonds	5,077,291	
City Funded Debt Payable from Ad Valorem Taxes		$ 40,762,188
Less: Self Supporting Debt		
Series 2011 General Obligation Refunding Bonds (1)		5,077,291
Net General Obligation Debt Payable from Ad Valorem Taxes		$ 35,684,897
General Obligation Interest and Sinking Fund		926,091
Ratio of Gross General Obligation Tax Debt to Taxable Assessed Valuation		0.840%
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation		0.735%

2016 Estimated Population - 30,480
Per Capita Taxable Assessed Valuation - $159,213
Per Capita Funded Debt Payable from Ad Valorem Taxes - $1,171

Notes:

(1) This debt consists of General Obligation Refunding Bonds, Taxable Series 2011, which are self-supporting based upon amounts received under a Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P., with respect to the Dallas Stars Ice Skating facility located in the City. Payments under the Lease are not pledged to the payment of the bonds. If the City determines not to use payments under the Lease, or if such amounts are insufficient to pay debt service on the bonds, the City will be required to assess an ad valorem tax to pay such obligations.

TAXABLE ASSESSED VALUATIONS BY CATEGORY
(UNAUDITED)

	2017		2016		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$ 1,395,614,810	23.07%	$ 1,272,752,460	22.02%	$ 1,210,895,940	22.83%
Real, Residential, Multi-Family	458,368,110	7.58%	430,845,050	7.45%	350,905,990	6.62%
Real, Vacant Lots/Tracts	143,621,570	2.37%	144,057,380	2.49%	130,138,330	2.45%
Real, Commercial	2,648,485,190	43.78%	2,438,358,260	42.18%	2,303,324,340	43.40%
Real, Industrial	31,169,630	0.52%	29,620,730	0.51%	26,230,580	0.49%
Real, Oil, Gas, and Other Mineral Reserves	1,400	0.00%	1,400	0.00%	1,400	0.00%
Real and Tangible Personal, Utilities	100,864,550	1.67%	104,438,580	1.81%	103,200,440	1.94%
Tangible Personal, Commercial	1,078,783,290	17.83%	1,051,389,880	18.19%	917,947,180	17.30%
Tangible Personal, Industrial	192,833,620	3.19%	308,979,470	5.35%	264,104,780	4.98%
Total Appraised Value Before Exemptions	6,049,742,170	100.00%	5,780,443,210	100.00%	5,306,748,980	100.00%
Less: Total Exemptions/Reductions	1,196,932,944		1,240,845,010		1,090,508,315	
Taxable Assessed Value	$ 4,852,809,226		$ 4,539,598,200		$ 4,216,240,665	

	2014		2013	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$ 1,167,517,830	24.20%	$ 1,156,011,600	24.65%
Real, Residential, Multi-Family	259,748,470	5.38%	227,354,150	4.85%
Real, Vacant Lots/Tracts	116,387,530	2.41%	111,118,590	2.37%
Real, Commercial	2,095,038,740	43.43%	2,061,811,550	43.96%
Real, Industrial	25,309,120	0.52%	23,661,060	0.50%
Real, Oil, Gas, and Other Mineral Reserves	1,400	0.00%	1,400	0.00%
Real and Tangible Personal, Utilities	98,555,060	2.04%	115,624,890	2.47%
Tangible Personal, Commercial	846,821,690	17.56%	806,426,340	17.19%
Tangible Personal, Industrial	214,414,800	4.44%	187,934,590	4.02%
Total Appraised Value Before Exemptions	4,823,794,640	100.00%	4,689,944,170	100.00%
Less: Total Exemptions/Reductions	978,403,023		1,001,711,549	
Taxable Assessed Value	$ 3,845,391,617		$ 3,688,232,621	

Notes:

Valuations shown are certified taxable assessed values reported by the Dallas Central Appraisal District (DCAD) to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the DCAD updates records.

VALUATION AND GENERAL OBLIGATION DEBT HISTORY
(UNAUDITED)

FISCAL YEAR	ESTIMATED POPULATION (1)	TAXABLE ASSESSED VALUATION	TAXABLE ASSESSED VALUATION PER CAPITA (2)	G.O. TAX DEBT OUTSTANDING AT END OF YEAR (3)	RATIO OF G.O. TAX DEBT TO TAXABLE ASSESSED VALUATION (2)	G.O. TAX DEBT PER CAPITA (2)(3)
2013	28,800	$ 3,688,232,621	$ 128,064	$ 29,815,281	0.81%	$ 1,035
2014	29,660	3,845,391,617	129,649	44,365,676	1.15%	1,496
2015	30,350	4,216,240,665	138,921	41,268,133	0.98%	1,360
2016	30,480	4,539,598,200	148,937	40,762,188	0.90%	1,337
2017	30,480	4,852,809,226	159,213	37,342,191	0.77%	1,225

Notes:

(1) Based on North Central Texas Council of Governments original population estimates with the exception of the current fiscal year, which is a projection and 2010, which is based on the 2010 U.S. Census.

(2) As reported by the Dallas Central Appraisal District on the City's Annual State Property Tax Reports; subject to change during the ensuing year.

(3) Includes self-supporting debt Series 2010 General Obligation Refunding and Improvement Bonds (refunding portion) and Taxable Series 2011 General Obligation Refunding Bonds.

TAX RATE, LEVY, AND COLLECTION HISTORY
LAST FIVE FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	TAX RATE	GENERAL FUND	I & S FUND	TOTAL TAX LEVY	% CURRENT COLLECTIONS	% TOTAL COLLECTIONS
2012	$ 0.5295	$ 0.4873	$ 0.0422	$ 18,985,692	99.56%	99.68%
2013	0.5295	0.4935	0.0360	19,160,290	99.59%	99.82%
2014	0.5531	0.4987	0.0544	21,035,711	100.36%	99.80%
2015	0.6023	0.5076	0.0947	24,899,686	100.07%	99.68%
2016	0.6023	0.5139	0.0884	27,340,502	97.73%	97.73%

CITY OF FARMERS BRANCH, TEXAS TABLE CD-5

TEN LARGEST TAXPAYERS
FISCAL YEAR 2017
UNAUDITED

TAXPAYER	NATURE OF PROPERTY	TAXABLE VALUE	PERCENTAGE OF TOTAL CERTIFIED TAXABLE VALUE
70 Washington Street LP	Office Tower - Class A	$ 139,320,000	2.87%
5005 LBJ Tower LLC	Office Tower - Class A	87,680,960	1.81%
Glazers Distributors of Texas	Spirit and Wine Distribution Warehouse	87,043,540	1.79%
Garden Centura LP	Office Tower - Class A	85,880,000	1.77%
EOS Properties at Providence Towers	Office Tower - Class A	82,040,000	1.69%
Waters Edge Apartments Phase I	Apartment Complex	71,023,990	1.46%
Lakeview at Parkside	Apartment Complex	61,750,000	1.27%
TP IP Tower III Corp	Office Tower - Class A	59,181,500	1.22%
TCI 600 Las Colinas Inc.	Office Tower - Class A	53,853,654	1.11%
IBM Corporation	Office Tower - Class A	49,301,920	1.02%
		$ 777,075,564	16.01%

Source: Dallas County, "City Report of Property Value," City of Farmers Branch. The total certified taxable value for the year is $4,852,809,226.

TAX ADEQUACY
(UNAUDITED)

2017 Principal and Interest Requirements (1)	$	4,775,152
$0.0994 Tax Rate at 99% Collection Produces		4,775,455
Average Annual Principal and Interest Requirements, 2017-2034 (1)	$	2,803,048
$0.0584 Tax Rate at 99% Collection Produces		2,805,700

Note:

(1) Includes Taxable Series 2011 General Obligation Refunding Bonds.

CITY OF FARMERS BRANCH, TEXAS

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS
(UNAUDITED)

FISCAL	GENERAL OBLIGATION BONDS (1)			SPECIAL REVENUE BONDS (2)		
YEAR	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2017	$ 2,978,644	$ 1,201,355	$ 4,179,999	$ 441,353	$ 153,800	$ 595,153
2018	3,098,644	1,080,055	4,178,699	451,353	143,644	594,997
2019	2,338,644	978,152	3,316,796	466,353	131,872	598,225
2020	2,428,644	887,148	3,315,792	481,353	118,297	599,650
2021	2,523,644	790,422	3,314,066	496,353	102,859	599,212
2022-2026	10,765,974	2,526,461	13,292,435	2,740,526	229,085	2,969,611
2027-2031	7,620,932	1,167,347	8,788,279			
2032-2036	3,929,771	182,183	4,111,954			
	$ 35,684,897	$ 8,813,123	$ 44,498,020	$ 5,077,291	$ 879,557	$ 5,956,848

Notes:
(1) "General Obligation Bonds" do not include lease/purchase obligations.

(2) Self-Supporting Debt: Taxable Series 2011 General Obligation Refunding Bonds [average life of issue - 7.714 years].

TABLE CD-7

TOTAL DEBT SERVICE REQUIREMENTS	% OF PRINCIPAL RETIRED
$ 4,775,152	8.39%
4,773,696	17.10%
3,915,021	23.98%
3,915,442	31.12%
3,913,278	38.53%
16,262,046	71.66%
8,788,279	90.36%
4,111,954	100.00%
$ 50,454,868	

INTEREST AND SINKING FUND BUDGET PROJECTION
(UNAUDITED)

Interest and Sinking Fund, 9/30/16		$ 926,091	
Interest and Sinking Fund Tax Levy		4,136,800	
Commercial Rent		660,000	
Estimated Investment Income			$ 5,722,891
Less: Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/17	(1)		4,775,152
Estimated Balance 9/30/17			$ 947,739

Note:

(1) Includes Taxable Series 2011 General Obligation Refunding Bonds.

COMPUTATION OF SELF-SUPPORTING DEBT
(UNAUDITED)

Stars Center Revenues [1]	$	663,000
Less: Requirements for Taxable Series 2011 General Obligation Refunding Bonds		597,400
Balance Available for Other Purposes	$	65,600

Notes:

(1) The Taxable Series 2011 General Obligation Refunding Bonds refunded Taxable Series 2004 Certificates of Obligation. The Taxable Series 2004 Certificates of Obligation were self-supporting general obligation debt based upon amounts received under the terms of a Ground Lease Agreement (the "Lease") between the City and the lessee, the Dallas Stars, L.P. (the "Dallas Stars"), which Lease relates to the community-style recreational ice-skating and conference facility financed in part with the proceeds of the Series 2004 Taxable Certificates. The obligation of the Dallas Stars to make lease payments to the City to support the payment of the bonds is dependent on the satisfaction of certain ongoing requirements in the Lease. The City currently transfers Lease payments to the debt service fund to pay debt service on the bonds and anticipates it will continue to do so. If the City discontinues such transfers, the City will be required to assess an ad valorem tax for the payment of the bonds.

HOTEL/MOTEL TAX REVENUE
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	HOTEL/MOTEL TAX REVENUE	NUMBER OF ROOMS
2007	$ 2,487,792	2,137
2008	2,507,434	2,137
2009	1,974,308	2,137
2010	1,821,619	2,137
2011	2,017,818	2,137
2012	1,932,530	2,137
2013	2,253,459	2,137
2014	2,396,399	2,137
2015	2,728,631	2,137
2016	2,959,667	2,137

HOTEL OCCUPANCY TAXPAYERS
SEPTEMBER 30, 2016
(UNAUDITED)

HOTEL	NUMBER OF ROOMS	TAXES PAID	% OF TOTAL
Omni Dallas Hotel @ Park West	337	$ 844,325	28.53%
Sheraton Dallas Hotel by the Galleria	310	539,559	18.23%
Doubletree by Hilton Dallas Near the Galleria	290	476,123	16.09%
Doubletree by Hilton Dallas-Farmers Branch	160	357,258	12.07%
Wyndham Garden Dallas North	375	312,757	10.57%
Fairfield Inn	107	155,319	5.25%
Motel 6	122	66,823	2.26%
Extended Stay America	86	52,799	1.78%
Super 8 North Dallas	50	51,538	1.74%
Days Inn North Dallas	72	49,797	1.68%
Econolodge Dallas Airport North	120	43,493	1.47%
El Mio	103	6,830	0.23%
Lakeview at Parkside	1	545	0.02%
Chateau DeVille Apartments	2	1,932	0.06%
Villas at Parkside	2	569	0.02%
	2,137	$ 2,959,667	100.00%

CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES
FISCAL YEARS ENDED SEPTEMBER 30
(UNAUDITED)

	FISCAL YEARS ENDED SEPTEMBER 30				
	2016	2015 [1]	2014	2013	2012
REVENUES:					
Program revenues:					
Charges for services	$ 10,129,251	$ 10,075,529	$ 8,740,882	$ 8,923,838	$ 8,654,848
Operating grants and contributions	349,473	335,647	552,131	781,993	310,341
Capital grants and contributions	253,844	401,271	98,600	303,998	709,138
General revenues:					
Taxes:					
Property taxes, levied for general purposes	22,191,443	20,727,595	18,886,710	17,707,657	17,284,378
Property taxes, levied for debt service	3,926,612	3,903,953	2,075,008	1,284,446	1,506,258
Sales and use taxes	13,639,841	13,363,544	13,430,485	13,689,917	12,750,809
Hotel/motel taxes	2,959,667	2,728,631	2,396,399	2,253,459	1,932,530
Franchise taxes	4,314,745	4,429,370	4,472,748	4,420,712	4,185,655
Tax increment financing	2,183,186	1,350,636	855,286	797,278	1,005,642
Investment income	1,664,659	1,591,991	1,872,535	1,386,221	1,341,782
Gain on sale/retirement		124,938	36,873	4,862	536,320
Total revenues	61,612,721	59,033,105	53,417,657	51,554,381	50,217,701
EXPENSES:					
General government	14,578,536	12,623,901	13,133,503	10,914,452	11,884,776
Public safety	25,223,791	22,025,873	22,147,916	22,772,965	21,414,818
Public works	9,262,380	9,414,374	11,683,321	8,875,224	8,509,565
Culture and recreation	14,084,036	12,588,417	11,820,723	12,739,313	12,866,193
Interest on long-term debt	2,359,900	2,344,088	2,141,082	1,887,714	1,775,374
Unallocated depreciation	273,962	126,464	126,464	126,464	605,266
Total expenses	65,782,605	59,123,117	61,053,009	57,316,132	57,055,992
Decrease in net position before transfers	(4,169,884)	(90,012)	(7,635,352)	(5,761,751)	(6,838,291)
Transfers	4,174,000	3,469,420	5,232,600	3,073,500	3,388,500
Decrease in net position	4,116	3,379,408	(2,402,752)	(2,688,251)	(3,449,791)
Net position--beginning	73,531,143	70,151,735	88,192,647	90,880,898	94,330,689
Net position--ending	$ 73,535,259	$ 73,531,143	$ 85,789,895	$ 88,192,647	$ 90,880,898

(1) Restated with implementation of GASB Statement 68 & 71.

GENERAL FUND REVENUE AND EXPENDITURE HISTORY
FISCAL YEARS ENDED SEPTEMBER 30
(UNAUDITED)

	FISCAL YEARS ENDED SEPTEMBER 30				
	2016	2015	2014	2013	2012
REVENUES					
Property, sales, and franchise taxes	$ 40,260,831	$ 38,333,869	$ 36,856,882	$ 35,934,981	$ 34,153,059
Licenses and permits	1,427,801	1,680,095	930,443	1,015,017	1,012,913
Charges for services	5,407,761	5,001,160	4,522,186	4,539,757	4,624,287
Fines and forfeitures	2,255,213	2,200,215	2,363,647	2,121,697	2,184,699
Investment income	733,970	707,195	616,125	600,333	587,856
Intergovernmental	150,000	200,000	250,196	111,456	
Miscellaneous	66,178	75,774	56,238	85,025	56,202
Total revenues	50,301,754	48,198,308	45,595,717	44,408,266	42,619,016
EXPENDITURES					
General government	13,259,030	12,197,959	12,007,232	10,538,652	11,287,146
Public safety	23,309,501	22,351,409	21,983,787	21,640,592	20,609,761
Public works	6,898,308	6,473,060	6,473,144	5,717,415	5,665,710
Culture and recreation	11,013,500	10,074,366	9,474,411	10,678,436	10,526,017
Loss due to decline in market value					95,459
Total expenditures	54,480,339	51,096,794	49,938,574	48,575,095	48,184,093
Deficiency of revenues under expenditures	(4,178,585)	(2,898,486)	(4,342,857)	(4,166,829)	(5,565,077)
OTHER FINANCING SOURCES (USES)					
Transfers in	5,748,574	4,780,744	4,659,600	3,777,500	3,949,773
Transfers out	(1,485,000)	(1,115,000)	(1,100,000)		
Sale of capital assets/insurance recoveries	87,438	609,764	114,535	797,381	1,569,531
Total other financing sources	4,351,012	4,275,508	3,674,135	4,574,881	5,519,304
Net change in fund balance	172,427	1,377,022	(668,722)	408,052	(45,773)
Fund balances--beginning	12,716,178	11,339,156	12,007,878	11,599,826	11,645,599
Fund balances--ending	$ 12,888,605	$ 12,716,178	$ 11,339,156	$ 12,007,878	$ 11,599,826

MUNICIPAL SALES TAX HISTORY
LAST FIVE FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	TOTAL COLLECTED	% OF AD VALOREM TAX LEVY	EQUIVALENT OF AD VALOREM TAX RATE	PER CAPITA
2012	$ 12,750,809	66.31%	$ 0.3511	$ 445.52
2013	13,689,917	70.10%	0.3712	475.34
2014	13,430,485	63.15%	0.3493	452.81
2015	13,363,544	52.63%	0.3170	440.31
2016	13,639,841	49.89%	0.3005	447.50

The sales tax breakdown for the City is as follows:

Dallas Area Rapid Transit (DART)	1.00¢
City Sales and Use Tax	1.00¢
State Sales and Use Tax	6.25¢
Total	8.25¢

CURRENT INVESTMENTS
SEPTEMBER 30, 2016
(UNAUDITED)

DESCRIPTION OF INVESTMENT	% OF PORTFOLIO	PURCHASE PRICE	MARKET VALUE
Certificates of Deposit	17.19%	$ 7,250,000	$ 7,250,000
Federal National Mortgage Association	7.12%	3,000,000	3,002,674
Federal Agricultural Mortgage Corporation	8.30%	3,500,000	3,502,307
Federal Home Loan Bank Notes	8.32%	3,450,000	3,508,822
Federal Home Loan Mortgage Corporation	4.74%	2,000,000	2,000,320
Municipal Obligations	34.72%	14,525,000	14,646,214
Federal Farm Credit Bank	9.16%	3,875,000	3,863,799
TexPool	10.45%	4,404,249	4,404,249
	100.00%	$ 42,004,249	$ 42,178,385

HISTORICAL WATER AND WASTEWATER USAGE
LAST FIVE FISCAL YEARS
(UNAUDITED)

	WATER USAGE AMOUNT IN GALLONS (000)			WASTE WATER CONSUMPTION AMOUNT IN GALLONS (000)
FISCAL YEAR	TOTAL CONSUMPTION	PEAK DAY	AVERAGE DAY	TOTAL USAGE
2012	3,049,124	16,075	8,354	1,181,322
2013	2,817,138	15,591	7,718	1,121,936
2014	2,722,003	15,017	7,458	1,172,130
2015	2,826,124	16,822	7,743	1,300,202
2016	2,937,377	13,105	8,048	1,732,552

Note: Total consumption represents total gallons of water purchased by the City.

TOP TEN WATER CONSUMERS
SEPTEMBER 30, 2016
(UNAUDITED)

CONSUMER	TYPE OF INDUSTRY	2015-16 CONSUMPTION (GALLONS)	% OF TOTAL CONSUMPTION	2015-16 REVENUES	% OF REVENUES
Maxim Integrated Products, Inc.	Semiconductor Manufacturing	64,327,000	2.2%	$ 413,753	3.3%
Dallas County Community College	Education	35,470,000	1.2%	206,473	1.6%
Boxer F2 LP	Real Estate	31,357,000	1.1%	189,985	1.5%
Ventana at Valwood, MMH Mgmt	Real Estate	28,056,000	1.0%	154,480	1.2%
Parish Day School	Education	22,575,000	0.8%	122,066	1.0%
Omni Dallas Hotel @ Park West	Lodging	21,834,000	0.7%	119,885	1.0%
Doubletree by Hilton Dallas Near the Galleria	Lodging	21,595,000	0.7%	118,133	0.9%
Lakeview at Parkside	Real Estate	21,685,000	0.7%	179,041	1.4%
Cooks Creek 255 LLC	Real Estate	21,218,000	0.7%	134,909	1.1%
Sheraton Hotel	Lodging	18,925,000	0.6%	104,281	0.8%

Source: City of Farmers Branch Finance Department

MONTHLY WATER AND SEWER RATES
LAST TEN FISCAL YEARS
(UNAUDITED)

	WATER RATES				SEWER RATES	
		RATE PER 1,000 GALLONS				RATE PER 1,000 GALLONS
FISCAL YEAR	MONTHLY BASE 2,000 GALLONS	NEXT 8,000 GALLONS	NEXT 10,000 GALLONS	OVER 20,000 GALLONS	MONTHLY BASE 2,000 GALLONS	OVER 2,001 GALLONS (1)
2007	$ 10.44	$ 2.83	$ 3.19	$ 3.31	$ 10.91	$ 1.48
2008	10.44	2.83	3.19	3.31	10.91	1.48
2009	11.69	3.17	3.57	3.71	12.22	1.66
2010	11.69	3.17	3.57	3.71	12.22	1.66
2011	11.69	3.17	3.57	3.71	12.22	1.66
2012	11.69	3.17	3.57	3.71	12.22	1.66
2013	12.04	3.27	3.68	3.82	12.59	1.71
2014	12.76	3.47	3.90	4.05	13.35	1.81
2015	14.29	3.89	4.37	4.54	14.95	2.03
2016	16.44	4.47	5.03	5.22	17.19	2.33

Notes:
Rates are based on 3/4" and 5/8" meters, which are the standard household meter sizes. The City charges an additional rate for non-standard meter sizes.
(1) Private residents are not charged for sewer beyond 10,000 gallons.

CONDENSED STATEMENT OF WATER AND SEWER SYSTEM OPERATIONS
FISCAL YEARS ENDED SEPTEMBER 30
(UNAUDITED)

	FISCAL YEARS ENDED SEPTEMBER 30				
	2016	2015	2014	2013	2012
REVENUES					
Charges for services	$ 18,487,283	$ 16,628,580	$ 14,571,539	$ 14,190,778	$ 14,042,029
Investment income	28,760	20,022	17,915	20,563	33,868
Miscellaneous	298,127	170,335	4,865	3,561	17,790
Total revenues	18,814,170	16,818,937	14,594,319	14,214,902	14,093,687
EXPENSES					
Personal services	2,083,890	1,863,285	1,827,081	1,670,624	1,720,757
Materials and supplies	237,884	248,384	273,487	246,796	239,833
Maintenance and utilities	1,792,642	1,201,099	1,105,238	1,119,517	1,005,976
Purchase of water	5,414,578	4,752,025	4,551,492	4,476,816	4,500,402
Sewage treatment	3,125,687	2,648,002	2,326,525	2,357,421	1,892,943
Total expenses	12,654,681	10,712,795	10,083,823	9,871,174	9,359,911
Net available for debt service	$ 6,159,489	$ 6,106,142	$ 4,510,496	$ 4,343,728	$ 4,733,776
CUSTOMERS	9,770	9,729	9,628	9,572	9,492

Notes:
The above calculation of amounts available for payment of system debt service excludes non-cash expenses such as depreciation and amortization. Debt service payments are also excluded. Certain non-operating revenue sources, principally investment income, are included.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS
(UNAUDITED)

PURPOSE	DATE AUTHORIZED	AMOUNT AUTHORIZED	AMOUNT PREVIOUSLY ISSUED	UNISSUED BALANCE
Streets	05/10/2014	$ 23,500,000	$ 14,500,000	$ 9,000,000
		$ 23,500,000	$ 14,500,000	$ 9,000,000